

# The Varieties of Social Rent

by BENJAMIN F. SMITH

THE economic rent of a particular land portion is determined by the difference in production on that land using the same application of capital and labor on the least productive land in use. This principle should be extended two ways: 1) Along with economic rent, as part of it or separate from it, we should consider other benefits which may not accrue differentially to portions of land but equally to all unequal portions within a large area, including the margin for that area. 2) The margin of production should be considered for each governmental unit, and in addition for the rent of the world outside the nation.

These new considerations are necessary so that we can determine which governmental areas are responsible for social values represented in land value and which are separate from land. We can then allocate taxes to each governmental unit according to the social benefits the unit has "produced."

The consideration of benefits, the determination of "governmental" responsibility for the benefits, and the allocation of benefits, should be made in prototype for several portions and different types of land, and for urban, residential, commercial and industrial land. For instance, "contributions of national government" to gravel pit value are slight compared to the locality contribution. But the contribution of the national government to copper mine value is large compared to local contribution. The national government is responsible for defense of the person from foreign attack, the state police from the dangers of inter-county travel, the county sheriff for areas within counties but not in cities, and the city police for those in the city.

The use of the several margins will separate some social values at different

governmental units. At the national level, and at every other margin except foreign, defense of persons and national culture exist. The rule would be that social values which exist in all governmental units accrue to the national government. A general rule would make every social value which exists in a governmental unit or units accrue to the highest unit in which it exists.

How do we figure that the value of the copper ore is contributed mostly by the national government? This is determined by using the farthest distant margin from the portion of land being appraised, but measuring the value of the production transported to the margin.

If the copper ore land being checked is in Michigan, then one check-out margin might be in Arizona or southern California or Hawaii. The difference between FOB "price" and delivered "price" should be allocated to the Michigan mining community.

The difference between marginal land value in the distant location and the value of the ore land in Michigan might vary from \$2000 to \$50 an acre.

The \$1950 acre value x the current interest rate would be the economic rent due the national government.

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