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Mr. J.J.Pot  
W.Welgravenlaan 27  
Lâteren 6741 ZH  
Holland.

Dear Mr. Pot,

Thank you for your letter received about two months ago. My apology for not replying sooner.

Your question is a valid one and the subject of much discussion. This is why I found it necessary to introduce the concept of Natural Rent and Economic Rent as two completely different things whereas George and Ricardo usually speak of Rent only.

By my definition on page 27 L&L 3/4 1983 natural rent excludes all taxes; that is direct, indirect, rates, licences etc. It is the sum total of all economic rent in your present economy plus all existing taxes, rates and licences. It includes all personal income tax/ pay as you earn taxes, company taxes, import duties and excise, VAT etc.

As a starting point, if you take the total value of all land in Holland and multiply by the existing average interest rate on money you will get a figure approximately equal to or less than the economic rent. Add to this the sum total of all government and municipal budgets, plus the dividends paid by all public and private companies and then you will be getting near the ball-park figure of the total natural rent for Holland. Somehow I think that there should be enough to run the country if government and local government only collected between 50 and 70% of this natural rent.

Look at Fig. 4 page 28 and Fig. 5 page 58 of the next issue. These should help you to clear the point. Also remember that sites withheld from production or under utilised are at present curtailing production and often increasing the cost of production. This will be corrected by a change in taxation to collect the shaded area in Fig. 5.

It is essential to realise how much land becomes unproductive both at the margin and prime land under the present system. This is further aggravated by your system of socialism which creates "Marginal Labour" even on prime land.

The term Marginal Labour has just come to mind and could well be developed to explain a concept of unemployment more significant in your country than in mine. When, through the wrong application of taxes, it costs an employer say G 1500 in order to give an employee 1000 and then his effective spending power is only 600, only the best labour can be economically employed. The rest must become marginal labour and be replaced by machines. As they then require state assistance the whole economy goes into a further spiral of inflation, higher taxes, smaller tax base and further unemployment. ( Not necessarily in that order.)

Your final comment is correct. There can be no true capitalism or free enterprise whilst land is considered as part of capital. 10