

## NOTES AND COMMENTS

### ON RENTS AND INTEREST

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This note proposes that rents, interest, and land rents belong conceptually to the same kind of transaction, i.e. inputs bought from another transactor. The often heard argument that there should be no major conceptual changes, at the next revision, is then not justified. In fact, and on the contrary, if the system is to be improved, greater conceptual consistency should be aimed at.

In the course of the development of the present system of national accounts the emphases have changed. Whereas national accounts were originally intended to show the source and use of *income*, they are now mainly intended to show the origin and use of *production*. As a consequence, the 1958 version was built around an income approach, i.e. *adding up* the elements of total income, whereas the 1968 version derives value added primarily as the difference between output and input, which is then *divided* further into components. In the course of this changing aspect, some data are now registered explicitly (e.g. rent paid for industrial buildings). In the 1968 system, industrial rents paid became explicitly intermediate inputs, leading to outputs of the supplying industry.<sup>1</sup>

Interest paid is still considered to be a part of the value added of the industry that pays it, i.e. has created this value added as remuneration of capital. This applies to interest paid as well as to imputed interest on own capital in both the 1958 and 1968 versions of the SNA. If interest were to become a service for loaning funds<sup>2</sup> (which has been considered as a possibility for the forthcoming revision of the SNA), treatment of interest paid and of imputed interest would be identical with that of rents paid and of imputed rents.

Land rent is still considered as being part of the value added of the industry that pays it, because there is no separate industry called land-renting, as a part of real estate. In any case, it is an element in between rents and interest.

The 1968 version of the SNA stresses the fact of the non-existence of a special land-renting industry; yet, the creation of the three extra industries of (i)

<sup>1</sup>Yet, this is not necessarily registered, and industrial rents, in this case, would give rise to a nominal renting industry (at least for those parts that cannot be explicitly attributed). Rents received are output of the owning industry; therefore, only the difference between all rents registered as received and between all rents registered as paid makes up the nominal industry. Rents on own buildings of an industry are part of the gross output of the owning industry in the 1958 and the 1968 version; they may be explicitly imputed for certain purposes, and then recorded in the 1968 version as an addition to intermediate consumption *and* to gross output of the owning industry, which would be shown in any case, if the buildings were rented from another enterprise.

<sup>2</sup>Which would entail the creation of a funds-loaning industry.

renting industrial buildings, (ii) renting land, and (iii) lending funds should be envisaged for the revision of the SNA—which would make the system conceptually more consistent and would, for instance, also avoid the present banking imputation.