

## What is the value that a company offers? [1]

Written by [Tim Worstall](#) [2] | Saturday 13 April 2013

I had a Frenchman comment on something I'd written elsewhere. The argument was that a company must contribute to taxes where it trades otherwise it will not be contributing to where it trades. An idea which many agree with: but let us use that French invention, strict logic, to examine it.

The National Health Service does not provide tax revenue for the United Kingdom. Indeed, it's a famous consumer of such. We cannot argue that the employees pay tax: for that is the employees, not the organisation itself. Thus, if tax paid is the measure of the contribution an organisation makes to society then the NHS is valueless. Given that it produces no tax revenue then it does not contribute, does it?

The same would obviously be true of education, the military and so on. Also, it would be true of companies that make a loss: as Starbucks really was. All of which is quite obviously ridiculous. I might wish that the NHS was organised in a different manner than the way it is: but I would not argue that treating tens of millions of people a year adds no value to the nation. That not everyone who escapes the state schooling system can read does not mean that none do and so value is added. And the military has value in all those French invasions that do not occur each year as a result of the existence of the military.

And so it is with private sector companies. The value that they add to our country is the value they add to the consumer experience. Starbucks enables us to have expensive and bad coffee. Google enables us to search, for free, the information of the world. I'm sure that Facebook does something or other: something that some of my fellows value for whatever reason it is.

The value that a provider of something provides to the society in which they provide it is the consumer surplus among those consumers of that good or service. How much tax they pay or dodge on having done so is an irrelevance. For if it were relevant then supplies of goods and services which did not, by design, pay tax would be valueless, would they not?

This Frenchy stuff of Cartesian logic is fun, innit?

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