

Rent as constraint on time

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Avoiding premature
commitment, rationalization
for l.s., is fallacy of,
~~intu alia, composition.~~

May be ec. for one —
not for all. First committee
carries costs for others.

Fn. of rent as time
constraint is to constrain
holdouts

Argument for hi l.v.:

Keep hi turnover, hence flexibility of cis cap. stock. Avoid obsolescence, adapt quickly to new demands.

Thus L.A. cd. convert quicker from aircraft to missiles if had higher l.v. compelling rapid conversion.

(But L.A. has bn. quite flexible despite low l.v. Low l.v. can also be an aid. So can competition. Hi future rents are ~~the~~ crux.)

"Quick conversion," meantime, is good phrase.

Criterion for replacement

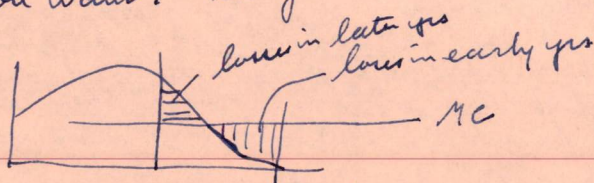
Only the site has salvage value. (Here is practical import of site's longevity)

When challenger^{site} rent > defender net income, rent & quasi-rent.
(assign Terborgh)? Do not wait for defender net income fall to zero.

Note new dimension to mp analysis, apply to B/c.

Intensive site use calls not just for full deprec., but rapid replacement
[Other hand, rapid replacement means higher deprec. per yr, less residual rent]

Capital, is an indivisibility, you cannot apply each yr. the exact amt you want. So you overbuild, in later yrs site is underimproved.



Fixed capital, spread in rentable space weighted by quality.

But you prefer losses in later yrs to earlier, you underdevelop (relative to what you'd do if cap. freely adjustable annually.)

Uncertainty & taxes also make you underimprove.

But less cap., turning over faster, may be more cap. over time. - & more input.
More cap., turning over slower, may rep. less input over time.

Less cap., w. faster planned turnover, is more cap. input per yr.

Handle this simplest by annualizing. Cap. input has 2 mers: interest & deprec. Higher sum is higher cap. input. Surely, more cap./acre means both higher int. & deprec. But sometimes less cap. w. faster turnover will give higher annual input, total.