

Land Worth = GDP and enough to replace all taxes with Land Rent

By Scott Baker / 21 March 2016 / OpEdNews.com

The idea of using Land Value to pay for society's needs goes back to biblical times in the old testament, what author John Kelly called "The Other Law of Moses" in his book by the same name. But a more formalized attempt at applying such a land value tax, or, more accurately, site value collection, only came in more modern times.

Our original [Articles of Confederation's Article 8](#) states:

VIII. All charges of war, and all other expenses that shall be incurred for the common defense or general welfare, and allowed by the United States in Congress assembled, shall be defrayed out of a common treasury, which shall be supplied by the several States in proportion to the value of all land within each State, granted or surveyed for any person, as such land and the buildings and improvements thereon shall be estimated according to such mode as the United States in Congress assembled, shall from time to time direct and appoint. The taxes for paying that proportion shall be laid and levied by the authority and direction of the legislatures of the several States within the time agreed upon by the United States in Congress assembled.

We lost the provision for collecting land and building values to support the U.S. with the new Constitution.

For reasons explained in detail in *Progress and Poverty* (1879) by Henry George, we would get far better use of the land if taxes were only collected on that (mostly location), and not on the buildings built on the land. We would get more buildings, with just a Land Value Tax, and more efficient use of the land too. And, as Henry George wrote, "There is enough, and to Spare."

Today, there are starting to be some verifiable calculations as to the value of U.S. land, including this new article:

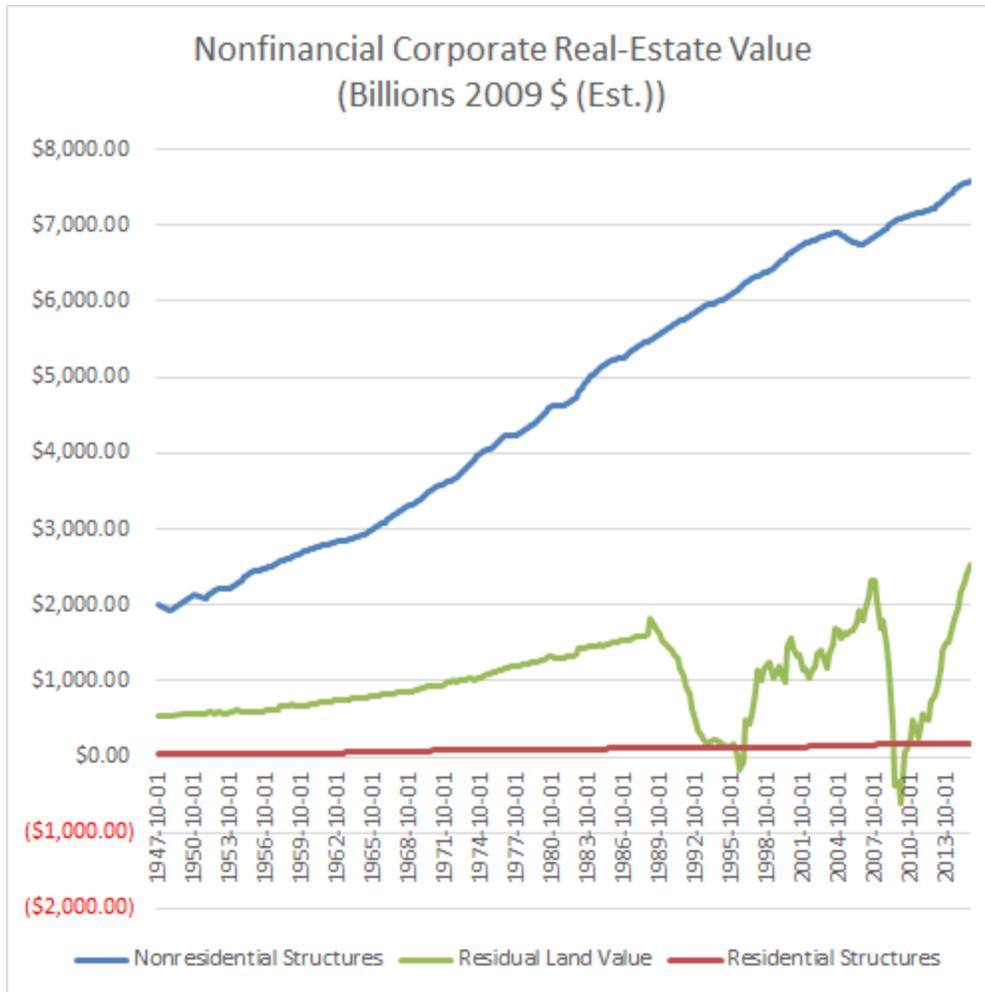
[The Real Role of Land Values in the United States](#)

Just 6 percent of U.S. land is developed. That matters when we talk about affordability. It's all about location.

It's interesting that if you work it out, the value of all land in the U.S. is just about equal to its GDP. I wonder if that is some sort of natural law or at least an equilibrium point that markets return to when they overshoot or undershoot.

And still more estimates of the total value of Land in the U.S., with a hat tip to Michael Hudson:

[How Much Is \(Nonfinancial Corporate\) Land in the U.S.A. Worth?](#)



The short answer, if one extrapolates the graph above for a couple of (good) years, and sums both corporate (\$8t) and non-corporate land, more volatile and smaller (\$3t) is a total of \$11t. This is somewhat less than the amount calculated in the first article, but there are reasons to suspect this figure is too low.

However, whatever the inaccuracies of the FRED model, as author Matt Leichter points out, they vastly pale in comparison to the Fed's stated land value of **NEGATIVE** \$4b of non-corporate land, which is due, he says, to over-assessing building values and using a land residual method of valuation. This, as both Leichter and Hudson point out, drastically undervalues land and is responsible for the Fed's trivializing it as a source of potential economic rent (let alone THE source to replace all other taxes). The Fed fails to account for repeated depreciation allowances, which is how landowners get so rich, after all.

That wealth - which is currently powering the supposed populist revolt campaign of Donald Trump - is now mostly, and increasingly, collected by private landowners like Trump, or, more likely, by banks. Interest on mortgage loans are the new Land Rent, and banks are, with the exception of rentiers like Donald Trump, the new land owners. The vast majority of us then, are merely renters, even those so-called homeowners, who in reality have only

small amounts of equity, while the bank has the rest.

A much fairer system of taxation would be to collect the value of the land for the public good, since it was the public whose demand created the value in the first place. And there is, after all, as Henry George said, "Enough, and to Spare." Will Donald Trump repudiate the method behind his multi-billion dollar wealth and return the value of the commons back to the people? Would you bet your land on it?

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Scott Baker is a Managing Editor & The Economics Editor at Opednews, and a blogger for Huffington Post, Daily Kos, and Global Economic Intersection.

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