

*Those who can do count other basic economic actions, so why leave this one to us?*

## CHAPTER 1

# BOTH THE MEASURE AND THE MEASURING – OUTRAGEOUS

*From there to here, and here to there, stunning things are everywhere.*

– after Dr. Seuss

### IS TRILLION THE NEW BILLION?

**W**e humans are pushovers for size, for big numbers, too. Like ... the world's richest person who, if spending \$1,000 every hour, every day, awake or asleep, even if retired, would have to live over 10,000 years to spend it all.

Another big number you should be able to drop into casual conversation is the worth of Earth in America. That's the combined value of downtown locations, farmland, forests, oil and other minerals, airwaves, ecosystem services, etc. It's how much we spend for the nature we use. I'd guess several trillions in the US annually.

Trillions. After a while, they all sound alike – million, billion, trillion. But the difference is huge. A stack of a million one dollar bills would reach as high as a 35-story building. Shimmy up a trillion dollars and you're over a quarter of the way to the moon.

Let's pause for a caveat, if I may, for the sake of clarity and brevity. Herein, the term "rent" is the original usage, payments for land, not for buildings, from when landlords were not building lords but lords of the land. Now days, "land" is not limited to the surface but also includes subsurface minerals and supra-surface electromagnetic frequencies, and not just solids like land but also liquids like water and gases like air (when it becomes scarce); in sum, *whatever is natural and has economic value*.

Parsing finer, rent is not only actual payments but also the imputed value of a location. It'd get unwieldy to explain all that every time. "Rent" – with or without quotation marks – is a handy shortcut you'll be seeing a lot of.

## A MAGIC NUMBER?

In the late 1980s when Japan was booming, its real estate peaked. Then *If you could afford to buy the center of Tokyo – the grounds of the royal palace – you could afford to buy California four times.* Of course, that ballistic value was speculative, well above what any rational person would or could pay. Actual location was much less but still a lot, given Japan's population density.

However humongous land value is, it's easy to make. As Woody Allen said, 80% of success is just showing up. It's the presence of society that generates site value. *As population grows, this value keeps getting bigger, automatically.*

*The demand for land is constantly growing as the population increases, and since its supply is finite, its price must increase over time.*

– Robert Stammers, CFA, *Investopedia*, 2017 Dec 7

While Earth's worth is hefty, producing Earth is effortless. It was already here. Nobody you know made the land (unless you're really, really old or very well connected). None of us poured oil in the ground, pulled up Manhattan island, etc. Nobody has to be paid to create nature.

Hence economists refer to payments for land as a surplus. Such "rent" (technical meaning) is an unintended byproduct, like wild mushrooms. Receiving rent, as the Dire Straits sang, is "Money for nothin', chicks for free."

Recall that some governments tap this windfall. Alaska, Aspen CO, and Singapore use it to pay residents dividends. An extra thousand per year can come in handy (Ch 40).

Maybe not as useful as cash in hand, but also welcome are reliable forecasts, which knowing rising land value makes possible. As society prospers, people blow their land payments up into a bubble. By keeping an eye out for the peak, some clever guys foretold the mid-2000's bubble burst (see Ch 28).

If only the devastated millions of citizens had heeded the warning ... but they never heard it

## HINDERING THE COUNTING

Despite the usefulness of this statistic, the worth of America is not published, unlike annual reports on the economy, or weekly reports on unemployment, or daily reports on the stock market. Why is that? Why did this line of inquiry never develop?

Political pressure is plausible. Spendy lots, pushing up housing cost, prompted Aspen to tap location value to fund housing assistance. When

other towns in Colorado flirted with the reform, the remorselessly lobbied legislature outlawed it (Ch 39).

As the police say, the obvious explanation is usually the right one. Who wanted rent for themselves? No one in particular, everyone in general. Anyone owning land knows the less attention paid to its size the better.

Focusing on rent creates controversy. A PhD examining the flow of rents is as rude as would be a male glancing at a female's leg back in the Victorian Era when chaste matrons put skirts on the legs of their pianos. So our unearthing of Earth's worth (pardon the wordplay) doesn't look easy.

For some of us, our indifference is innocent enough. Rent is a number and we're *not especially fond of math*, even suffer "*math-o-phobia*." Nor of statistics. "Stories change people; statistics give them something to argue about," said Bernie Siegel, an American writer last century. The rest of us, though, appreciate the challenge. That those who could calculate it, don't, makes me even more curious. Or is ignorance bliss?