

It's not just another pretty fact; Earth's worth is really something special.

CHAPTER 7

MISSING LINK CAN DE-MYSTIFY ECONOMIES

The “machine” – incredibly complex, inscrutably intertwined – does something absolutely mundane, like making a piece of toast. As it turns out, that’s how the world works.

– Adam Felber, *Schrödinger’s Ball*

ECONOMICS AS IF ANSWERS REALLY MATTERED

A team of British economists – Josh Ryan-Collins, Toby Lloyd, and Laurie Macfarlane – co-authored *Rethinking the Economics of Land and Housing*. They ask:

- Why isn’t location taught in modern economics?
- What is the relationship between land and the financial system?
- Why are “house” prices rising faster than incomes?

They had to pose the questions because conventional economists don’t. How economies actually work differs from how they are currently explained.

Doing economics without land, which with labor and capital is one of the three basic factors in production, is like doing meteorology without water. Lacking land, mainstream economists render the flow of rent into the missing link in economics, a link that explains both fortune and recession.

Since nobody’s efforts ever produced land (duh), our spending for land and resources eats at spending on produced goods and services which regularly results in recession. Our spending on the never-produced does not reward anyone for creating the earth (duh-duh).

TREMENDOUS TURF

Our normalcy bias tells us poverty is normal. But how? Bounty overflows from economies. Obviously, poverty is due to concentration of capital. Wrong. Try control of land.

Some almost get it but paint with too broad a stroke:

- the value of real estate is in large part the value of location;

- buildings age, need maintenance – they depreciate;
- what appreciates, despite the regular (and recoverable) downturns, is the value of the location;

This mistake is common enough. We say a home or housing is spendy while in reality *it's the underlying location*. What makes people want to pay for a site are *factors both natural and social* – the amenities.

- Where land is fertile, views breathtaking, mineral deposits thicker, harbors deeper ...
- Where society has infrastructure, honest citizens, user-friendly government, clean environment ...

There people can earn more, not by working harder, nor by investing smarter (although those two can pay off, too), but merely by operating on a location with such advantages. *Residents and businesses pay more for these advantages due not to owners but to nature and society.*

The saying [location, location, location] is repeated three times for emphasis, and it is the number one rule in real estate, though it is often the most overlooked.

– “Why Location Needs to be Repeated Three Times”
by Elizabeth Weintraub

As much as one may want to increase the supply of land, one can not. What's here now is all that there's ever going to be. As population grows denser, their increased demand bids up what one must pay.

EYES ON THE PRIZE

Measuring rent makes it real, and once real, useful. Tracking changes in the size of our spending on land and resources enables one to forecast coming booms and busts reliably. Already some companies base accurate predictions on land prices. Yet despite their profiting, business lacks the authority of academia, who enjoy authority despite their being unable to predict. Go figure (Ch 28).

Rent-trackers could lay bare the means by which wealth does not trickle down but pours upward. The growing wealth gap is due not so much to the elite behaving badly as it is to everyone behaving normally. We adhere to custom, including counterproductive ones – rights without duties, power sans responsibility. But what's fun about blaming ourselves?

Other factors bolster the prevailing worldview of capital guilty, rent invisible.

- The press reports hi-tech minting billionaires, and previously oil fueling fortunes, but not prime sites enriching a handful of absentee owners and lenders.
- Most people, never buying or selling downtown lots, have no idea how valuable downtown is. On 3-D maps, central city sites tower over others.
- Academia dismisses land as a major factor in generating income.
- And bureaucracy makes a morass of statistics re rent.

However much this surplus, it's due to the occupying populace. As creator of that value, *society has a surplus*. Society could see the world differently – not one of scarcity but one of plenty. Residents might contemplate what's best to do with it. Would people redefine work and play? Feel more worthy of justice? See something so worthy, the Earth, as deserving of being kept healthy?

Besides forecasting reliably and reporting surpluses, economists could offer corrective policies that are both rational and successful. Economists could finally benefit society. Making sense, they'd deserve to be considered authorities.

Authors Ryan-Collins, Lloyd, and Macfarlane reveal the intimate connection between major challenges – including housing crises, financial instability, and growing inequality – and the land economy. Those authors urge politicians and economists to rethink rent.

Presently our BEA, nor any official, furnishes the missing stat that'd plug the gap in economics. If not them, who would? Who's a renegade? Whoever does heed the call to measure all natural assets, they could be in the running for the "alternative Nobel," the Right Livelihood Prize.