

Our degrading of land converts would-be rents into other expenses – then vice versa.

CHAPTER 23

ECO-LIBRIUM REPATRIATES RENTS

Somebody's out there. Sign seen in space: "Used planet, marked down, priced to go."

MYOPIC GRASSHOPPERS DEPRESS THE EARTH

Given the choice, would you rather live in pollution or without pollution? It's another way of asking if you'd rather save money upfront or save money downstream. Our choices do impact the worth of Earth in America, and indeed everywhere.

Ironically, while we cannot pay anyone to produce Earth, we routinely pay certain people who, to some degree, destroy Earth. We pay owners of:

- utilities whose power plants pollute the air basin;
- companies that develop housing tracts sprawling over cornfields;
- logging corporations that clear-cut mountain sides which ...
- silts up the stream you once fished;
- maybe even causes a landslide that dislodges your house;
- mining companies whose tailings contaminate groundwater;
- chemical firms whose windblown GMO pollens contaminate farmers' fertile soil; and
- agri-businesses who treat soil like dirt, decreasing its fertility;

If you choose to save somewhat upfront, yours is a world of opportunity. It's cheaper living in the shadow of a skyscraper that blocks out sunlight than in the penthouse with a view of 360 degrees; beside a freeway with constant noise and smog versus even a block away with cleaner air and a measure of quiet; and near a landfill perfuming the neighborhood versus far away.

If you can not afford environmental health, likely you live where land values are already low. Then add a trash incinerator (or prison, weapons factory, or tobacco subsidy). Land values won't always fall and may even rise, since tax-supported jobs pay better and developers respond with better houses.

While these incomplete lists tilt toward producers, consumers too choose convenience over long-term health. Most of us drive. Some homeowners spray poison on their lawn. Truckers leave their diesel engines running. Shoppers prefer packages of “food” (low nutrition, high additives). Households contribute generously to landfills. It’s an attitude.

All this abuse makes land sad and depressed. Our methods of meeting our wants and needs chew Earth at one end of the economy and spew toxins into the environment at the other. Going about our business that way, harming the health of Earth, we depress the worth of Earth, *ceteris paribus* (all else being equal).

While people pay less for despoiled land upfront, the despoliation forces people to pay much more for other things downstream: restoring the environment, healing ourselves, and for inefficient production. Were we not despoiling Earth, we could use those payments to build up her worth. Hence those payments for rehabilitation are surrogate rents and count toward a complete total for the value of land and resources.

“LEADERS” LIMIT LIABILITY

How did we ever become such a careless, messy civilization? While polluting and depleting are business as usual now, they were not always quite so usual. Hence industry turned to the legislature.

It started out benign enough. Long ago, it used to be that if a neighbor erected a tall building that blocked your sunlight, you could appeal to the king or local noble. And win.

So when a village wanted to do something collectively – say, build a watermill – the group of residents who actually made it happen became a temporary part of the local government. That is, they *incorporated* into the body politic (“corpus” means “body”) and enjoyed the council’s limited liability. When the project was completed, the corporate charter and the limited liability with it expired.

But investors could not leave well enough alone. Thomas Jefferson, a Founding Father very interested in the power in the land and with an insightful opinion about many topics, lamented that the younger generation, lacking the “... principles of ’76 now look to a single and splendid government of an Aristocracy, founded on banking institutions and monied corporations....”

Then came James Watt’s steam engine and industrialization. If a train locomotive roaring by set your cornfield afire, you could sue – and actually win. To avoid restitution, or even bankruptcy, for businessmen limited

liability was too good an idea to ignore. Exerting the pressure that comes with impressive profits, industrialists persuaded politicians to grant them a corporate charter. What once covered temporary nonprofit groups acting for the commonweal, now limited the liability of permanent companies acting in their own self-interest.

To limit their liability personally, the businessmen – “corporations” in the US, “limiteds” in the UK – paid no more than a small filing fee. If found liable, management fobbed off the fine or penalty from themselves, the responsible humans, onto an abstract corporation; those who ultimately paid were stockholders and consumers – even taxpayers. The real perpetrators in management skated.

In the US, individuals faded into the background and corporations became “persons.” A railroad lawyer who was a clerk for the Supreme Court wrote in his own hand on the cover of an unrelated ruling that corporations were persons. The Justices and everyone else even up until today accepted his radical penmanship.

PURCHASE LIMITED LIABILITY

The problem with pollution is like the problem with politics. In politics, those few who band together to gain a lot have much more success lobbying than those many who stay disorganized and individually lose a little. Similarly, those few who pollute a lot do so with impunity while those many who receive a little poison seldom defend themselves – and rarely do they win.

For a business that is a bad neighbor, the more damage you do, the more you need a limit on your liability. For those guys, after the land title, the corporate charter might be the second most valuable piece of paper dished out by government. Heck, only a direct handout or bailout – cold cash in the pocket – could be better.

Trying to cope with corporations, well-meaning critics of money in politics rail against the more recent ruling, *Citizens United*. But they’re barking up the wrong tree. There’s a simpler, more fundamental solution.

Charters need not be quasi-freebies from the state. Government could charge full market value for granting them. Or government could get out of the liability business altogether and let insurance companies (they contribute the “I” in “F.I.R.E.” along with Finance and Real Estate) handle it.

To stay afloat, insurance companies would not be so accommodating but charge full market value for limiting liability. Businesses imposing risks on others – polluters, depleters, and wasters – would pay premiums

of staggering amounts. Firms not endangering consumer, worker, or nature would pay less. Until that fine day, we'll still have more lawyer jokes than economist jokes.

Just as economists don't discuss land much, most don't discuss environment, either, except to refer to its debasement as an "externality." The term implies that such damages were unavoidable consequences with no one at fault, instead of results of irresponsible behavior, like littering or reckless driving. Thus academics defuse the responsibility of wealthy and powerful industry. If your tracks need covering, it must be nice to have an entire discipline to do it for you. Yet can an apologist be a scientist?

Conversely, economists don't refer to the value of land as a "positive externality." Yet the value of a property is not due to the owner who gets to sell it or lease it. Rather, as everyone knows, it's due to location, location, location – to natural features like a good view and social features like a nearby transit stop. By not referring to land value as an externality, economists deprive society of its authorship and look the other way when owners reap something for nothing. As a positive externality, publicly recovered rent would not take any private value from anyone.

FARSIGHTED ANTS ENRICH THE EARTH

While we think we save money by being sloppy and not cleaning up after ourselves, we don't. It's not just that we raise costs for society, for people downstream and downwind, we also miss out on cutting our own costs. Wasting and leaving behind waste is wasteful, a loss. A win/win is a company that captures sulfur from smokestack exhaust; it thereby has another product to sell. Efficiency is a savings, an untapped resource. An engine that burns all its fuel not only leaves zero residue to pollute but also gets more miles per gallon.

For some, that's too good to be true. Regardless, other humans are evolving. Many have reached the point where they regard pollution as much a social *faux pas* as littering, smoking in public, or spraying DDT. They might raise the bar.

In response to higher standards enforcing our right to a healthy planet, some businesses would raise their prices – and lose customers, market share, stockholders, share value – possibly go broke. Other businesses would make money by being efficient. Smart dirty industries would convert to clean technologies – which in most cases already await them on shelves. Clean companies would gain market share.

With bigger operations, clean companies could streamline, enjoy economies of scale. Both the always clean and the newly clean would see their cost of doing business fall. Already firms that win “green” certification don’t lose money but save. With the extra wherewithal, these successful businesses could spend more on a better commercial location.

Customers, too, would have more money to spend on non-polluted land. And they could do so, even if their incomes did not rise, because their cost of living would fall. First, due to businesses competing among themselves, efficient firms would lower the prices they charge their customers.

Second, as the environment heals, so would humans, enjoying air, water, and food without added toxins.

Humans would spend less on doctors and medicines. And as usual, due to competing among ourselves for desirable locations, we’d spend more on land, pushing up its value.

Thus, one can estimate the missing value of the environment from its balance sheet: (1) downstream payments that degradation imposes on us, such as dealing with radioactive waste; (2) the loss in value of degraded areas, like neighborhoods near toxic dumpsites; (3) a portion of spending on medical treatment; and (4) the savings from greater efficiency in doing business. Combining the four tells us how much more we would have available to bid up the rent for living and working on healthy land. A hefty portion of that is by how much the worth of Earth in America would rise.

COSTS OF DAMAGING LAND

For up-to-date figures, let’s google combinations of “limited liability” and “corporate charters” and “corporate damages” and “negative externalities” and “environmental harm” and “environmental illnesses” and “pollution” and “imposed costs” and “true cost” and “total costs” and “percentage of profits due to limited liability.”

If a business did not harm a customer, worker, or nature and get sued and pay lawyers, it’d have lots more money to invest elsewhere. In 2008, eLawForum estimated litigation cost corporations \$210 billion, equivalent to one-third of the after-tax profit of the *Fortune* 500. Not all those suits were filed because of pollution but some were. On the other hand, not everybody harmed by pollution filed suit.

Researchers base calculations of environmental costs in part on court fines mulcted upon degraders. Those values exist on paper, but not so much in the pockets of plaintiffs. Collecting the fines is problematic.

- Residents of places like Louisiana and Alaska have yet to receive what oil companies were supposed to pay for ruining their ecosystem.
- Wall Street financiers were supposed to pay victims and local governments for fraudulent lending to buyers of homes+homesites.
- Tobacco and pill companies did pay their consumers something but less than what they were supposed to pay.

It's a pattern. Where's a government when you need one to enforce a fair ruling?

In estimating how much the public loses, most researchers don't present separate totals but subtotals or grand totals. Combined into a mosaic, it paints a pretty pricey picture for environmental damage.

Not in Mexico but in America, drinking tap water sickens 20 million annually at some cost. Treating fresh water, polluted by agri-biz's phosphorus and nitrogen, a decade ago was costing over \$4.3 billion annually. Cleaning up the 126,000 polluted groundwater sites in America would cost from \$110 billion to \$127 billion.

The true cost of emissions, factoring in costs of premature death, illness, increased loads on the healthcare system, lowered crop yields, missed work days, higher insurance damages from extreme weather events linked to climate change, etc., pumps up the price of a gallon of gasoline; in 2015 you'd pay \$3.80 more at the pump.

Costs per kilowatt hour of generating electricity is 10 cents for coal, 7 cents for natural gas, 13 cents for solar, and 8 for wind. However, when you add in environmental and health damages, costs rise to 17 cents per kilowatt hour for natural gas and 42 cents for coal. Other researchers found:

- Air pollution caused by energy production in 2011 alone cost at least \$131 billion;
- Coal, from mining to burning, costs the public \$175 billion to \$500 billion annually;
- In 2015, damages from producing electricity in the US totaled \$330–970 billion a year.

In 2008, children sickened by our altered environment (smog plus toxins) cost adults \$76.6 billion, equal to 3.5% of total illness costs. That figure leaves out sickened adults. Obama's OMB in 2013 said *carbon damage alone is costing us \$200 billion*.

CARS & THE CULMINATION OF COSTS

Lung disease caused by breathing air-borne pollutants, the American Lung Association said in 2014 cost at least \$130 billion annually.

Probably the most polluting thing individuals do is drive. Our vehicles' pollutants in the air we breathe exacerbate asthma, shortening the lives of newborns and the elderly. Furthermore, the incidence of autism and Alzheimer's is higher along high-traffic streets. But because those roads are busy, which raises location value, it's hard to tell how much smog lowers site value.

We tolerate polluted air in part because driving is convenient – or so we think. Ivan Illich added the time it takes to make the money to afford driving and added it to time sitting in our cars – crawling around sprawl far from the lively city center or stuck in traffic, feeling frustrated while worsening our well-being. He found cars actually carry us at four miles an hour. Of course, very few make that calculation, since they don't have to drop a quarter into a meter every quarter mile for fuel, repairs, insurance, purchase, fees, smog damage, health impairment (cars are fattening), etc.

Failing to charge drivers the equivalent of rent for using roadway land underprices driving. That zero charge thus underprices roads compared with other uses of land. Hence society devotes extra land to roads – a major source of pollution from engines and tires, and less to walking paths, bikeways, light-railways, and other modes that pollute not at all or much less. Making roads appear free creates more automobile dependency, which encourages more sprawl onto farmland.

In 2014, Eosta, which focused on waste in agriculture, put global costs of eco-damage at \$4.8 trillion. A year before, TruCost added agri-business (not normally publicly traded and so left out before) to their list of culprits damaging the planet. They upped their estimate of a global cost to \$7.3 trillion, meaning the US share would be around a trillion and a half.¹ Ralph Estes in his book *Tyranny of the Bottom Line* factored in workplace injuries, medical care required by the failure of unsafe products, health costs from pollution, and many others. He figured that external costs to US taxpayers totaled \$3.5 trillion in 1995 – four times higher than the profits of US corporations that year (\$822 billion).² Nearly a quarter century later, it's likely higher.

LOSE LOSSES, GAIN GREATER RENTS

Just as the estimates for total land value were not easy to come by and were all over the place, it's the same with the estimates of land dam-

1 "Natural Capital at Risk: Top 100 Externalities of Business" at TruCost, April 2013

2 "When Good Corporations Go Bad" by Erik Assadourian in *WorldWatch*, May/June 2005

age. Another caveat: Once humans stop fouling their nest, they'd not use every saved dollar on bidding up the value of the location they want for themselves. But some of those saved dollars would go to that purpose.

Using TruCost's \$1.5 trillion as a floor and Estes's \$3.5 trillion as a ceiling, let's go with the midway \$2.5t. If Americans got to save all that, they might spend \$1.4t on bidding up the value of land. Adding the cost of degradation to our growing total (\$4.6t, Ch 22) would push the overall total for rents in America to about \$6 trillion. Per capita/registered voter that is \$3k/mnth.

While polluters and depleters might worry about society making degraders pay, why worry? Once we heal Earth, we not only heal ourselves but we also enrich whoever ends up with the fatter rents for healed land. Polluters and depleters can shift their portfolios and invest in real estate.

Along with corporate charters, waivers of standards, and lenient enforcement, government grants other little pieces of paper worth trillions. These new official forms likewise grant monopolies and are major sources of rent. The streams of spending they corral also need to be added to the total flow of what we spend on the nature we use.

For us to tabulate the worth of Earth in America in total, we need to know more than the value of land and resources, more than the value of the unowned environment, and more than the padded profit of land-based monopolies like utilities. We also need to know the padded profit of monopolies based on the very land-like field of knowledge. That is, we need to know the rent from holding patents and copyrights, whose purpose is to exclude competitors.