

*We'd love a total for the worth of Earth that's precise; but official, thus palatable, will do.*

## CHAPTER 33

### IF LOWBALLING INPUTS, HOW MUCH IS RENT?

*If you can't beat them, arrange to have them beaten.*

– George Carlin

#### FOR THE SAKE OF ARGUMENT, SURRENDER

**I**n recalling how privileged landowners can voice anti-social views yet wield so much influence (Ch 32), I'm still reeling. The wealthy have made it a jungle out there for academics and bureaucrats. Economists tread lightly around the interests of those powers behind the throne (Ch 12).

Academics and statisticians tend to lowball the value of land and resources (Ch 18). They come across not as partial to the truth, but partial to a special interest; for them, a high estimate is high risk. So, let me re-program myself to not just appear impartial but go one better and appear anti-partial. Forget logic. We'll lowball, too, and see what that total of all rents looks like.

*Sigh.* Surrendering to convention feels like throwing a robe on a classical nude sculpture – dressing up a figure for the worth of Earth in America in pseudo-respectability. Yet it may be easier for a science popularizer to propagate a total that's pseudo-official, no matter how far off market value it'd be. We twist the campaigner's saying to yield, *"I don't care how much the total becomes as long as you spell socially-generated value right."*

#### TRADE LOGIC FOR CONVENTION?

**W**e gadflies tried seeking an official total for how much all of us spend on the nature we use. But none's to be found. Official statisticians don't do their addition in the rent room (Ch 25).

Was it Gandhi, who said everyone has a piece of the truth? Economists, however, have *pieces* of the truth. Rather than tabulate a grand total for our spending that never rewards anyone's labor or capital (nobody-made

land), they've measured parts of the whole, like residential land (Ch 13) or parkland (Ch 15).

Not finding an official total, we sought, instead, an accurate total. That meant we questers had to question the statistics and methods that experts used. Normally, questioning implies criticism, and who enjoys being criticized? The experts have not exactly been effusive with their praise, toasts, and calls to celebrate this quest to know the total of all rents (Ch 19).

If you can't beat them, bury them – beneath opaque jargon and a thicket of insignificant statistics; that seems to be the motto of many specialists (Ch 17). Our contrary *modus operandi* was to dig up the numbers that most fully represent surplus – the worth of never produced sites and resources. Yet any gain in accuracy has a cost – a loss in credibility within mainstream minds. Our conciliatory motto is the more familiar, "If you can't beat them, join them." That is, base our extended quest on where officials left off.

Now, what we lose in accuracy may mean a gain in acceptability. A total born of their own assumptions may placate the specialists. This exercise could win friends and influence people toiling away in academia or in a relevant bureaucracy. They may become more forthcoming with their assistance and feedback. They may even take on a pride of ownership.

Or not. If the figure is still too robust, it may leave too much flesh exposed for a prude loyal to the pack. Ironic, eh? A too-high figure scares away conventional specialists. A figure too low and they say rent's too small to bother with. So, what's their Goldilocks figure?

Pragmatists put public acceptance above letting one's light languish beneath a bushel basket. Idealists, of course, put accuracy above accommodating those who don't prize truth. Our curiosity resolves the dilemma. Exactly how far apart are the two totals – the one catering to convention versus the one employing informed logic? Let's see.

## INPUTS UPDATED

If economists focus on land at all, it's land out of sight, underneath homes (Ch 13). As they should. Spending on housing drives much of the economy, and the land component accounts for much of the economy's booms and busts.

- The latest mean for housing is \$203k per house in America. That's by Case & Shiller, academics cited by government and media. Or, it's \$218k, according to Zillow, a company that serves homebuyers

and businesses involved mainly in building houses. Multiply that \$15k difference by 83,000,000 homes (Census Bureau stat), you get \$1.2t. While specialists might be comfortable with a difference of a trillion here, a trillion there, anyone seeking a reliable total for land value must keep looking.

- Figures for housing hint toward a figure for land. For residential land we have academic Lincoln who, for the start of 2016, put it at both \$8.7 trillion (FHFA) and \$9.9tr (Case & Shiller again). Both totals cannot be right. Indeed, both can be wrong. The difference is \$1.2t (again). That much money could provide a comfy income for one-fifth of all US households. Such disparity makes one wonder if all conventional figures are wrong. Almost all give more weight to buildings, which depreciate, than to locations, which during most of the business cycle appreciate. Nevertheless, both figures can serve as a minimum for all land price.
- The only academic figure for land based only on land sales (not sales of location and structure together) is Albouy's, for metro land. His 2009 total was \$18t. To extrapolate a figure for 2016 (Lincoln's latest), use the FHFA stats at Lincoln; the percentage increase in land value from 2009 to 2016 is 33%. So Albouy's 2016 total comes to \$24t, only for urban land.
- To add the price of rural land, the USDA says the price of all farmland alone in 2016 was \$2.8t. To add some value for all ranches, mines, oil wells, water, parks, etc., you could probably double that amount. You'd go from \$24t, through \$26.8, to \$29.6.
- The only official figure for all land of all uses is Larson's \$23t for 2009. He uses those official estimates, which are low. To increase his total for the start of 2016, multiply by the one-third. That bumps Larson's total up to \$29.6t – what we found using Albouy.
- To add the value of nature's electro-magnetic spectrum (that we use for modern communication), it was at least a half-trillion in 2007<sup>1</sup> and certainly more a decade later, bringing the total to over \$30t. That amount was reached in 2006 before the bubble burst, and supposedly land values had already recovered a few years back, so \$30+tr likely underestimates the actual total.

To keep extrapolation to a minimum, we'll leave out the trillions due to (a) utility monopolies, (b) environmental license (official tolerance of

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<sup>1</sup> "America's \$480 Billion Spectrum Giveaway" by J.H. Snider of New America Foundation, July 2007

degradation) and (c) privileges like corporate charters which limit the liability of polluters and depleters.

Since this aggregate \$30t is price, which is derived from rent, and rent conveys the realistic picture, we must convert price back to rent. In Ch 20 we used 10% of price. Lowballers prefer 5%. That puts the quasi-official total rental value for all land in America at a mere \$1.5tr

Is that \$1.5t credible? It's less than one tenth of national spending (or income or GDP). Consider the value of locations in popular cities. Consider the commercial value of downtown sites. Consider the spending on oil from domestic fields, on owning frequencies in the EM spectrum. Consider imputed environmental values. From such a bigger-picture POV, no way can the rental value of nature in use be \$1.5t. Indeed, the totals that geonomists came up with, from \$4 to \$6t, are far less partial, much more logically derived, and hence far more likely to be accurate (Ch 20). Yet for the present, precision is not our goal; acceptance is. Can mainstreamers live with this paltry figure?

Conformist economists may still ignore rent. However, a total of whatever size that should gain traction with the discipline is one from a source above reproach – business. Then statisticians and politicians will have to deal with that.