

A number for rent so big explains so much and prepares us for much more.

CHAPTER 38

THERE'S A NEW INDICATOR IN TOWN: IT'S GROUND

It is the mark of a truly intelligent person to be moved by statistics.

– George Bernard Shaw, playwright, social critic, proto-geonomist

SHOCKINGLY GRAND

You heard it here first. The worth of Earth in America is immense – far bigger than any economist or statistician previously suggested. The doubting Thomases in the economic arena may not now be believing Thomases, but at least some doubt has been sown into *their* doubt. The total does have shock value. Plus, it's supremely useful, enabling both prediction and ebullience. Tell a friend.

Some mainstream economists agree that counting rent lets one correct the figure for inflation. “The increase can be explained by increases of the price of land underlying buildings induced by money-creating, lending and borrowing, and is, i.e., inflationary.” It's hard to keep a good idea down.

On the other hand, some specialists and members of the lay public may be satisfied with official figures for other economic trends yet criticize our unofficial figure for the worth of non-labor/non-capital. They exercise a double standard. What statistic is above reproof? The rate of inflation is widely regarded as flawed, the percentage of unemployed is highly politicized, GDP is exaggerated. Every quarter the BEA revises its releases, painting a less rosy picture, one that most miss, having missed the revision and seen only the original release.

When government releases its stats for GDP, inflation, and unemployment, officeholders don't rush around rewriting their taxes and subsidies. At the peak of the business cycle, businesses whip up a feeding frenzy, ignoring warning signs. Yet those official stats, unlike ours, need not run the gauntlet. Our tabulated figure is as reliable as any other grand aggregate and better than most. But what is fair when it comes to money?

REBUT BUT AGAIN

The critics who claim rent is insignificant deprive themselves of the answer to why humans foul their nest, inequality yawns cavernously, government grows obese, and the business cycle topples. All are consequences of individuals doing whatever it takes to capture rent. Rent must be immense to explain so much.

GREY OVER GREEN

Naturally, humans need to alter the environment, as do elephants and termites and many other species. Yet must that alteration be so ruinous to the health of humans and other species? Actually, no, neither pollution nor depletion is necessary. However, because humans spend so much to own or use land and resources, owners and investors do just about anything to steer that massive spending their way. And because rent, being generated by society, is something for nothing, it, to use the jargon, creates moral hazard.

The biggest sector in the GDP is F.I.R.E., the biggest in that is housing, and half of housing is land. To capture that rent stream, business wins favors for sprawl. Another large sector is energy; again, business wins favors for combustible fuels like oil that burn dirty, over incessant power sources like sunlight that operate cleanly. Further, consumers buy a lot of food, including meat; ranchers win more favors than organic gardeners, while cattle trample stream banks and emit enough methane to alter the atmosphere. At the bottom of the eco-crisis is the insider's relentless grasping for the vast flow of rent.

Counterbalancing all that, knowing Earth's true worth might make environmentalists into economic realists. It's not rational of them to let land remain such a fat profit-maker and expect a law that "just-says-no" to development to succeed. To defend an ecosystem, your planet needs profit on its side.

INCOME PARITY

Critics of inequality suspect that enormous fortunes must be unearned simply because they're enormous. However, some people are more talented, harder or smarter working, or just lucky. Yet do those factors explain the enormous gap?

What is the stuff of vast fortune and how do some capture it? Despite wanting to close the income gap, wannabe do-gooders don't know what widens it. They assume that the lever is corraling capital. Actually, it's controlling land.

“Rising housing prices are better seen as a transfer from prospective buyers to prospective sellers than a nationwide increase in wealth.”

— A pair of Harvarders, Edward L. Glaeser and Joshua D. Gottlieb
in *The Wealth of Cities*

“Better seen,” they say, yet almost nobody looks. What do the wealthy get? It’s not wages. Many of the truly rich don’t work while no group of jobs pays enough to account for the growing gap. It’s not interests from capital. Capital depreciates.

What does appreciate and account for the accumulated and swelling riches is land as location plus privileges, especially patents and copyrights dished out at way below market value. Land and privilege – created by neither labor nor capital – inflate in value faster than do any goods or services offered to consumers and investors.

What keeps those geysers of wealth corralled is successful rent seeking – the labor of lobbying and the capital donated to political campaigns (Ch 12).

Bloomberg’s Noah Smith, 27 March 2015: “... in order to address wealth inequality, it’s important to focus on land. Even after the rise of the modern corporate economy, unequal ownership of the most basic and ancient asset of them all is still creating big divisions in our society. [I]t’s landlords, not corporate overlords, who are sucking up the wealth in the economy.”

STATES OBESE

No matter who’s in power—whether opposed to government or not – government continues to self-aggrandize. Of course as the economy grows, so must government – air traffic requires air traffic controllers, and so on. Yet the bulk of expansion consists of bureaucracy to assist ordinary people who’re needy, not receiving any shares of rent, and of expenditures on corporate welfare, to direct rent to insider elites.

Present rent recipients influence budget priorities. Rockefellers and the “oiligarachy” via their Council on Foreign Affairs define much of US foreign policy, and the military expands malignantly. Doctors receive license rent and medicare is a huge and growing expense. Recipients of patent rent such as Bill Gates has his foundation redo teaching and ignore.

As income rises, and lucky recipients bid up locations, rising rent indicates speculation. Some speculators keep land from best use, even

vacant, precluding others from investing or working there. As the custom of property is presently construed, progress for some must mean poverty for others, as Henry George, author of *Progress and Poverty*, noted a century and a half ago.

The resultant inequality worsens health and crime and scapegoating of foreigners. Government spends ever greater amounts on addressing those two major symptoms of inequality and waging war against handy fall guys. As grows rent, so grows government.

Ironically, people opposed to government win office and control much of it. Nevertheless, even with them at the helm, government has outgrown even a mammoth-sized bathtub to drown it in. If they ever hope to put obese states on a diet, they'd better put rents into different pockets, perhaps into the pockets of all citizens..

BUSINESS CYCLE

It's expected that economies expand and recede with the seasons, with sunspot cycle, and other natural periods. Yet, should economies chronically boom, then bust, or should they climb and glide, like an average rate of respiration?

What do postmortems on economic peaks reveal? What causes the fall in consumption and the rise in firings, bankruptcies, and foreclosures? It's not that goods or services have become unaffordable; locations have. As their prices rise, buyers spend more on that asset that nobody created and less on the goods and services that their neighbors and compatriots produce, while owners burn through equity to keep abreast.

The heady climb of site values into the stratosphere finally reaches a point where a critical mass can not afford sites. By then, gleeful developers and lenders will have overextended themselves. Spending on produced goods and services will have become too little to maintain sufficient exchange among economics actors. With customers too few and debt too massive, recession results – the gamblers' backwash terminating the mad dash for rents.

“Homebuyers will borrow the loans that we foreclose them with” is reminiscent of, “Capitalists will sell us the rope we hang them with,” by Lenin. While nooses have gone out of fashion, contract traps have not.

Like a Grand Unified Theory, fervent and relentless rent-grabbing explains what many disparate theories cannot: e-collapse, inequality, gross government, and regular recessions. As the shiny lure which urg-

es on so many major economic behaviors, flowing rent must be immense, and is. Measuring it is immensely useful.

THE ELEPHANT IN THE ROOM GETS A JOB

FEDERAL FORECAST

By tracking rent, forecasters can tell when society's spending on assets no one ever produced reaches a tipping point. That's when spending on produced goods and services becomes too little to maintain sufficient exchange among economic actors. Then, recession follows, regularly.

And recur recessions must, as more people bid more money for the most desirable sites. During the upswing of the business cycle – the first 14 years of this 18-year curve – land value mostly rises. Noting the rise, investors go all-in. Not knowing this cycle, many lose fortunes. If they're not a major player, government does not bail them out.

Already, some savvy firms sell accurate forecasts based on this land-price cycle – Hoyt in Florida and a couple in Australia are the ones I've found. Why don't they all? Does it have something to do with rocking the economic boat? Whatever. With a reliable figure in hand, at least we non-specialists can take advantage. Knowing what's coming lets us safeguard our savings.

UNIVERSAL SUCCESS

The point of an economy, of course, is output for people to dip into. The more goods and services flow, the more comfortably people can live. Surplus proves the perfection of production, making it a good indicator of economic health.

One definition of surplus is excess, an amount greater than necessity. Another way of looking at surplus is as a bonus, as an unexpected extra output from the applied input. A third way to regard surplus is not so much as a quantity as a quality that is, output due not to exertion—labor or capital—so much as due to happenstance, to land or location, harkening back a couple centuries to David Ricardo, economist and winner at stocks. It's the third understanding economists use when asserting land value is a surplus. Hence how much people pay for land is a surplus, too.

The more rent flows, the more successful the economy has been. Rent indicates economic health better than GDP, which ignores sur-

plus while honing in on growth. An even better indicator is free time, a consequence of a successful economy. Leisure is society's rational use of rent. The greater the leisure, the more equitable the sharing of the surplus has been.

LOCAL WASTE

As a visit to any city shows, many landowners keep highly valued parcels vacant. What happens on vacant lots? Nothing. Other than tossing trash and occasionally shooting it up. But no one works on vacant lots. No one is investing in vacant lots.

The parts of cities where the poor go through their daily lives – that's where you see the most vacant lots. See vacant lot, see unemployment. See vacant lot, see unrealized profit. See vacant lot, see displaced development (sprawl). And sadness.

The greater the vacant lot's value, the greater the loss to society. Compare the value of vacant lots to the value of absent improvements (zero). That difference is an indicator of sad tidings. Oceans have their dead zones due to pollution. So do economies have their dead zones due to a peculiar sort of social pollution – unchecked land speculation.

SHARPENING THE INDICATOR

Gauging rent is not like measuring the speed of light (or of dark, as Steven Wright notes) or the weight of the earth or anything fixed. As long as human populations keep growing or technology keeps progressing, the worth of Earth continues to grow. Measuring economic phenomena means, like Sisyphus, you're never finished.

Although now, as usual, "experts" lag behind the curious public, eventually they'll come around, as they always do when out-numbered and out-enthused. Discovering this datum useful, the users will want it updated, more precise. Sensitive to popular pressure (number-crunchers are people too), and wishing to mollify the serious amateur, academics will both refine the methodology and update the ongoing measure.

Then the busywork of bureaucrats would become useful tabulation. Some of the reports they issued in the past estimated a portion of rent. Those public agencies have what it takes to collect, collate, update, and publicize the size of our spending, en masse, for the parts of nature we use.

These agencies could make that datum a permanent part of their regular reports. That would institutionalize rent as an indicator, hope-

fully in a user-friendly form. Whenever the mood struck, you could find out how much your society spends on the nature it uses. You'd know your economy's bounty, and what to expect next.

The New York Stock Exchange, not far from the Fed, updates the prices of stocks once every second, and somebody does bonds. The technology and correctible rough statistics exist to track nature and privilege. Society could have the stat for all rents every day. Measuring surplus will become the new normal, and enjoy all the benefits conferred by normalcy bias. Then, of course, everybody will act like they knew about the role of Earth's worth all along.

Better than preparing for the next recession, of course, is resistance. Similarly, better than seeing underused land's role in creating poverty is eliminating poverty. Some societies, with their eyes on this prize, redirected rents (next chapter) and took strides toward both goals.

Now that we have calculated a total for what we spend on the nature we use, the genie is out of the bottle. Is there's another shoe to drop? Are the elite down for the count? Or have we awakened a sleeping giant? Can their response shred our calculation?