

# How Much Economic Rent?

The following estimate comes from Walter F. Swanton,  
a Professional Engineer living in Avon, New York

FROM time to time contributors to the HGN have submitted estimates of the amount of economic rent. The readers may, therefore, be interested in my estimate derived from data contained in Vol. V of the 1957 Census of Governments, "Taxable Property in the U.S."

From these data I estimate that the economic rent from real estate "land" amounts to \$18 billion per year. Of this amount state and local governments collect about \$3 billion per year in property taxes leaving about \$15 billion per year as the private owners share.

I use the phrase "real estate 'land'" because the data in the reference document are for real estate only. None are included for the many other forms of economic land, e.g., radio and TV licenses, intercity trucking franchises,

liquor store licenses, etc. These government granted monopolies are, of course, land in the economic sense, and the incomes which they command for their owners are forms of economic rent.

If one assumes that the economic rent accruing each year to the owners of socially created monopolies of the type mentioned above is only half that from real estate land, the grand total of economic rent in the U.S. was about \$27 billion per year in 1957, or \$160 for every man, woman and child and \$800 for a family of five. This is certainly not enough to take care of the federal budget, but it could eliminate the heavy burden which local governments impose on homeowners, manufacturers, consumers and other enterprising citizens.

My figures were derived as follows:

Type of Real Estate	Total* Assessed Value	Fraction for Land Only (assumed)	Total Assessed Value of Land	Ratio of** Assessed to Market Value	Actual Market Value of Land
	millions		millions		millions
Residential Acreage & Farms	\$113,505	1/5	\$22,700	0.32	\$ 70,859
Vacant Lots	29,083	0.9	26,117	0.21	125,890
Commercial & Industrial	4,763	1.0	4,763	0.235	20,321
	58,011	1/2	29,006	0.40	72,020
Total	\$205,362		\$82,586		\$289,090

\*For 48 states.

\*\*These ratios are based on a representative sampling of actual sales prices vs assessed values given in the reference.

It was assumed that the required income for investment in land is 5 per cent on the average. This amounts, for a capitalized value of \$289 billions, to \$14,500,000,000 which is the economic rent paid to private landowners. The portion taken by taxation was assumed as 4 per cent of

the total assessed valuation of \$82 billion, or \$3,300,000,000. Thus, the total economic rent from real estate land only is estimated as \$17,800,000,000 or about \$18 billion a year.

If anyone is interested, I shall be glad to send them a copy of the above data tabulated by states.