

At a time like this, are gadflies who seek a stat fiddling while Rome burns?

CHAPTER 29

AS CRISES CLIMAX, WHY TALLY RENTS?

First enjoy, last do what works. What are priorities?

CULLING ALL SOLUTIONS

Many scientists say certain problems will reach their tipping points within our lifetimes. Humanity meeting its needs has caused: loss of farmland, loss of drinking water, fouled air, cancer epidemic, obesity, unaffordable healthcare, unaffordable housing, exhaustion of the employed, low self-worth for the under-employed, disappearing jobs, income lagging behind inflation, indebted governments and college grads, endless wars for resources – not to mention awful daytime television (still – and it’s prime time). You can easily add to the list.

Seeing these as crises has kicked millions of people into gear. They want to save the world and save it now. However, they’re going about it like a wild goose chase, with little recognition of any underlying cause. Focused on their surface solution to their chosen problem, they’ve not peeled the onion. Their vision has not penetrated to the fundamental flaw.

Yet when many things go wrong, they typically have one root cause, noted Henry George long ago. Thanks to locations acting like geysers, a few lucky owners, lenders, and investors reap extra profit without adding extra value. As profiteers go about capturing those rents, they create problems downstream. Publicizing a figure for rent highlights this casual connection. Hence reformers would welcome the statistic (Ch 4), and, before their issue worsens.

ECO-LIBRIUM UPENDED

There is one issue that is totally indifferent to anyone’s political beliefs – our economies’ assault on Earth’s ecosystems. Lately climate change gets the publicity and may merit it, but global baking is actually one assault among many. Just one: the background noise teaching children to tune out, making adults live in constant denial the norm. Then

every breath taken, every drink gulped, every morsel eaten is to some degree toxic – unless we buy bottled water and organic produce. Yet it's hard to avoid the sluggish traffic jam, escape the smudged horizon, and breathe cleanly, deeply.

Machine exhausts – especially from cars – cause allergies, asthma, and autism. Farm runoffs and discarded medicines poison the water table. The toxins intentionally lathered upon cultivated food, acid rain, plastics and other garbage choke the oceans, devastating fisheries and the production of oxygen. Some power plants and weapons tests add to background radiation which mutates living cells.

Modern economies pollute merely as a byproduct but *pollute* profusely; already two of five will get cancer and the rate keeps rising. Modern economies *deplete* in step with population growth; of course development gobbles farmland, construction destroys forests, factory farming erodes topsoil and expands deserts; those three developments together endanger species and drive essential links in the food chain into extinction. Future hunger looms over the shoulder of modern obesity.

Environmental pollution – from filthy air to contaminated water – is killing more people every year than all war and disease in the world. More than smoking, hunger, or natural disasters. More than AIDS, tuberculosis and malaria combined. The number of people killed by pollution is undoubtedly higher and will be better quantified once more research is done (same story for the worth of Earth).

So long as humans profit, whether using or abusing land, the health of the planet must worsen. Singly or together, these environmental issues are closing in on their tipping points, putting civilization on the brink of e-collapse. Afterwards, you would not want to be anywhere near the surface of the Earth.

HOUSING OUT OF REACH

Some people, even rich ones, spend 40% or 50% or more of their income for a home (the kind sitting on land, unlike dirigibles). Some low-income workers double up yet still sacrifice too much on shelter. Meanwhile, zero-wage beggars camp out.

While they call it a “housing crisis,” that's superficial observation. It's actually a location, location, location crisis. Housing ages and wears out; it depreciates. It's the land underneath that appreciates. What newcomers to enticing areas will pay dearly for is less the building, more the climate (California) and/or culture (Portland).

You can blame techno-progress, giving raises to its workers, endowing them with the wherewithal to bid up homes on desirable sites. Billionaire venture capitalist Peter Thiel explained, *“the vast majority of the capital I give to the companies in Silicon Valley is just going to landlords. It’s going to commercial real estate and even more to urban slumlords of one sort or another.”*

I didn’t become a software engineer to be trying to make ends meet.
– a Twitter employee

Furthermore, when mega-cities like San Francisco, New York, and London force entrepreneurs to focus on making money just to pay the rent, that stifles entrepreneurship.

Those who flee spendy regions create a ripple effect, making other places unaffordable for residents there. People who can’t afford to live in San Francisco and Boston, etc, settle in Portland and Buffalo. There, location values rise, displacing people to Boise and Harrisburg. When people move out, they take their “effective demand” with them. They relocate their land values from their old locales to their new ones, padding values there. Hot spots like the coastal cities radiate rent that warms up formerly cool spots.

If jurisdictions had a solid figure for the value of their locations, residents would know how much revenue might be available for housing help.

RECURRING RECESSION

People called the last major downturn a crisis, a Great Recession, forgot about it, and yet will call the next one a catastrophe, a true depression. The Kondratieff Wave could be a factor, but definitely the bailout. Last recession, the Treasury and the Federal Reserve created \$30 trillion by issuing it. Big banks and big business, domestic and foreign, used it to buy stocks, bonds, and real estate. They bid up their price beyond their value, exposing asset owners to bankruptcy besides putting assets out of reach of most people.

As long as speculators bid up the price of land beyond what most can afford, the US economy must recede on a regular basis. As people spend more for never-produced land, they spend less for the goods and services their neighbors produce. As producers sell less, they hire less. After a while they must fire people. In the words of three academics writing for the Federal Reserve, *“in the Great Recession ... the collapse in the housing market was followed by a sharp rise of unemployment.”* And the unemployed

don't make the best of consumers. Nearly the entire economy recedes. The recession lasts until loan defaults knock land costs back down again (for a while).

You could see it coming – as did the geonomists – if you tracked the fluctuations in the flow of money that society spends for the nature it uses (Ch 28).

With land *et al* being out of reach, with nothing to fall back on, the next recession will crush more people.

Many people accept hard times as natural events, like droughts, which human ingenuity cannot deter. Of course, various thinkers have proposed various solutions, mainly focused on banks. However, for a solution to succeed it must address both kinds of spending, the one that rewards production versus the one that rewards rent-seeking. Attend to that *sine qua non*, then the business cycle will no longer boom and bust but climb and glide.

UNCLE SAM BANKRUPT

Per capita, US public debt is currently (updated regularly) \$62,000. The US debarks the fourth most tourists annually (70 million), unloading dollars abroad. Further, nations with high inflation hold many US dollars in reserve; places like Ecuador even use it for their national currency. With those two escape valves, the Federal Reserve's over-issuing of new dollars inflates domestic prices by "only" 3% (officially). That still doubles prices in 25-30 years. However, it's too slow for most people to notice. The frog in the saucepan on the stove.

Meanwhile, the private debt of citizens is also enormous. Most of that debt is mortgage, and a good half of mortgage is land value. Credit cards were in second place. Now it's student debt – \$1.5 trillion; while current law allows governments to declare bankruptcy, it prevents students from doing the same. Facing few well-paying jobs, future generations could stay in serious debt their entire lifetimes. Lifelong debt must make it look like older generations pulled up the ladder.

The third big bookkeeping category, corporations, is also a swamp of debt – \$29t (just coincidentally, the same amount as the '08-09 bailouts). Often, they borrow to grow, pay it back, and write off the interest payments. (Did bankers have a hand in lobbying for that loophole, too?) Without that money-saving write-off, businesses would borrow less, and the overall economy would not be saddled with so much debt.

But tax deductions don't do much good when there's not much income to deduct from, and there's not much during recessions.

During recessions, people demand help from government, but can't pay as many taxes. So, governments sink even deeper into debt. At some point, just as Detroit did, the US must go bankrupt. To pay its debt it will devalue the dollar relative to other currencies, just as the UK did with the pound. Then others will abandon the dollar, flooding the US with its own money, driving inflation out of sight.

If the US is to skirt that scenario, it must peel the onion down to its core. Become bold enough to confront speculation in land, which inflates the cost of borrowing. If we knew the value of land, that would put a spotlight on speculation.

1% – OUT OF CONTROL

While economies can't help but create a surplus society-wide, enclosing that abundance creates a dearth in some pockets. The few who collect rent use it in ways that constrict supply and exacerbate demand. They buy up (thus bid up) assets and under-utilize prime sites. With higher prices and lower wages, many people cannot afford to own large assets, such as a home. Homeownership has fallen and stock ownership was never a majority pastime. Both behaviors drain away the wealth of the majority, making them more vulnerable. It widens the wealth and income gaps, which slows real economic growth, and increases poverty. U.S. income inequality, on rise for decades, is now highest since 1928.

The abyss of inequality – it's unimaginable. A few get so much that they could not spend it all in several lifetimes of ultra-luxurious living. And their locations rise in value faster than elsewhere occupied by non-rich. Meanwhile, others barely scrape by on the leftover scraps. Beyond the purely material dimension, concentrating so much wealth and income in the hands of so few is bad for everyone in many ways. Even people who aren't poor feel like losers. Wildly unequal societies are less happy than more equal ones.

The more disconnected from others one feels, the less one cares about others, and feels comfortable committing all sorts of anti-social behaviors. The current occupant of the White House may be an outlier, but most of the 1% share his egocentric aloofness. The insensitivity of the privileged crosses party lines. While conservatives might oppose safety for employees at work, liberals might not hear the poor oppose public housing because they, the poor, don't want their offspring trapped in it, generation after generation.

Expect the next recession to create more losers and winners, further shrinking the anxious middle class, expanding the lower class, while

making the upper class more aloof. Then America stops being a predominantly middle-class society. That means losing its democracy, losing its environmental movement, losing its rapprochement between the classes. Perhaps it's the nature of democracies to devolve back into aristocracies in a feudal society. How many recessions away is America from morphing into something even more like George Orwell's *1984*?

It's ironic, happening now – as other big nations are growing their middle class: China, India, Russia, Brazil. Just give those trends enough time – ours shrinking, theirs expanding. (“The American Middle-Class is No longer the World's Richest” by David Leonhardt and Kevin Quealy in the *New York Times*, 22 April 2014).

Then, no way America remains the flagship nation among democratic global powers.

CRISIS = OPPORTUNITY? AT ALL?

Nowadays, even middle-class residents spend over half their income on housing (that sits on desirable sites). In most US cities, downtowns are pockmarked by vacant lots that, if developed, could hire hundreds of workers. And in Louisiana and other cancer alleys, pollution greatly suppresses land value.

How much worse can it get? How much more can the tattered social contract tolerate? How much more can the ravaged global ecosystem endure? While such trends seem to move at a glacial pace from the perspective of the individual, when they reach their tipping point, the collapse comes quick – as did the USSR. By then it will be way too late to take the relatively easier steps of prevention versus the arduous steps of curing catastrophe.

Wannabe reformers have much bigger fish to fry than tallying rent. And boy, are those fish ever getting fried! Like generals believing they know how to win the last war, the left tries to rein in business, the right tries to rein in government. “*The definition of insanity is doing the same thing over and over again and expecting a different result.*” – supposedly Einstein, an admirer of proto-genomics – but more likely from a 12-Step Program.

Environmental organizations, trying to stave off eco-lapse, are not necessarily stuck in that old Industrial Era conflict of boss versus worker. Yet, most act like economists in keeping “neutral.” Property is so controversial that they don't touch it. Further, many environmentalists are already homeowners, which is to say beneficiaries of site values going bonkers. Overlooking the linkage between Earth's worth and Earth's

health is in their self-interest, too. They, too, turn a blind eye to the link of reward-to-ruin – the role of rent in driving eco-ploitation – and confine themselves to “just say no” to despoliation.

People interested in new ideas and old problems try to solve these problems without addressing the basic motive – possessing rents. You can see how that’s worked out. So, who’s really rearranging deck chairs on the *Titanic*? We gadflies or wannabe saviors who studiously ignore the worth of Earth in America? If our business-as-usual is to be altered in planet-saving ways, and *in time*, a critical mass must become cognizant of the real role of rent.