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FROZEN CAPITAL
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The term frozen capital is used mainly to refer to any capital stock, unused or underused, that thereby reduces productive enterprise from operating at its optimum potential. In most instances, it is an accounting or bankers' term,[1] often referring to inventory which is shelved or squandered that could otherwise increase the circulation of wealth and productivity.

Frozen capital has also referred to resources that are deliberately held in abeyance and out of use for speculative gain. Disciples of Henry George have adopted the term to show that the capture of rent of natural resources, especially land sites, can bring wealth into public circulation that is otherwise lost and dampens economic productivity.[2] Indeed most land parcels that are undeveloped or underdeveloped, relative to their market value, are speculative exploitation. Underusing their strategic location is wasteful.

Among Georgists and in classical economic discourse, land is not regarded as capital but is viewed as a factor of production in its own right. Still, in order to be comprehensible to contemporary economic audiences, land is *referred* to as capital, and is treated by accountants in much the same way.

When land parcels are purchased and treated as commodities, the failure to employ them to the full extent of their market value constitutes uncirculated and unrequited wealth. And any wealth that remains out of circulation and unused is economic potential lost. An appropriate solution to the challenge, at least so long as such natural resources are marketable, is to use them fully. For land parcels this means to build on them or to sell them to someone who will. This is also why assessors argue that such sites should be valued according to the "highest and best use." Taxing them according to their full value induces titleholders to secure a return adequate to the carrying cost.

To Classical economists, which also includes Georgists, the market value of natural resources, such as land, is denoted as rent. This rent is also called land rent, Ricardian rent (after early 19th century political economist David Ricardo), or economic rent. Rent is a flow of value that is due to its location in the larger context of a market. Because markets are necessarily communal, the price of any parcel is due not to how any titleholder may treat it, but rather to its place in a neighborhood or larger region. The price can be measured either by its rental value for any fixed period of time, or by its capitalized rental price upon sale. Since land parcels are bought and sold as commodities, their price is typically measured in capitalized form. This is also true if and when they are taxed, at least in the American context. (Elsewhere, especially in Australia, South Africa, and the United Kingdom, any tax is treated for its rental value, viewed as a flow.)

If, however, as Georgists call for, the flow of rental value is recaptured by governments to pay the public costs of goods and services, the capitalized price of a parcel would be close to zero. This capitalized value would be converted to a flow (as opposed to the alternative nature of wealth known as stock[3]). This would also make clear that the market value of whatever holdings they owned was not due to any efforts or creativity of their own but rather to what their neighbors or the whole community did. It would make it harder perhaps for people to maintain the illusion that their titles were their own wealth and creation. (In contrast, it would also make plain that their labor, and all its products, really were their own.)

Some other natural resources yielding rents are more clearly recognized as flows. Among them are wind, water, and weather, the electromagnetic spectrum, air and sea ways, the genetic codes of all living things, and even evolving social products like language and folklore. Some cannot be shelved or bottled. To Georgists, they are instances of market value that have a rental price that can be taxable revenue. So long as any of these natural phenomena are regarded as commodities, their use, of course, is also subject to exploitation. However, these values can either constitute flows or else remain frozen capital. Economics will reach its optimum potential when natural capital elements are priced for their flow of rental value, and their capital is unfrozen to be employed by the community consistent with tenets of environmental protection, human welfare, and other social principles.

*Jean Helwege, et al, "Thawing frozen capital markets and backdoor bailouts: Evidence from the Fed's liquidity programs," Journal of Banking & Finance, Volume 76, March 2017, Pages 92-119.*

*See especially Mason Gaffney, IV. Capital: Turning Too Little Capital Into Enough, IV-2, in After the Crash: Designing a Depression-Free Economy, A paper presented to the Citizens-University Committee, University of California, Riverside; 26 January 2011. This was also expanded and published as a book, Boston: Wiley-Blackwell, 2009.*
*System Thinker: Step-By-Step Stocks And Flows: Improving The Rigor Of Your Thinking, by Daniel Aronson and Daniel Angelakis. https://thesystemsthinker.com/step-by-step-stocks-and-flows-improving-the-rigor-of-your-thinking/.*