Problems with Local Distribution

In earlier modules, it was shown how location value is created by the global community. Yet it is counterintuitive to consider the global community as the creator of location value. Intuitively, location value is created locally.

Local distribution of ground rent causes great harm. Imagine if distribution domains were each one square mile. Wealthy areas would receive all their own rent, while poor areas would receive little or none.

If ground rents were used to pay for police, schools, and other city services, wealthy neighborhoods would have the best police and teachers money could buy. Poor neighborhoods would have no sewers, no police or fire protection, and no education.

Poor folks would want to relocate to wealthy areas. But rent in wealthy areas would be extraordinarily high. Rents would keep away anyone without the means. As rents rise, the rents redistributed to wealthy areas rise as well.

The rich get richer and the poor get poorer. A "virtuous" cycle develops, if one can be so brazened as to call it that. Every penny paid for the exclusive right to live on this golden land goes to extraordinary public goods and services, driving up rents and services even higher.

Things are opposite in the poor areas. With little or no rent being paid, there is no revenue for public goods and services. People abandon blighted areas, allowing what little rents there are to fall even further.

But where do these refugees go? They carry no Earth Dividend as they would under true land-based capitalism. Any basic income would be covered by local rents that do not exist.

As a refugee on the road, there can be no food or housing distributions, no police protection. These refugees would come to a new town as pariahs! Local distribution of rent could easily lead to walled-cities and barbarians at city gates.

Initially, people with high wealth are not randomly distributed. Even if they were, economic dynamics cause people to cluster together according to their wealth.

The exaggeration is a function of the size of the distribution domain. Initially, we assumed rents would be distributed back to the same square mile from whence they came. But would these problems remain if distribution domains encompassed entire cities?

It would depend on the city's diversity, but the same issues would develop. Ultimately, there would be rich cities and poor cities. The wealthy would leave the poor cities for the rich cities and the poor would be pushed out of the rich cities by high rents. If the distribution domain were moved up to the county level, the need for manual labor would preserve some degree of equity. Greater disparities would develop over time.

The closing of a large factory would have vicious dynamics. Less employment would cause ground rent to drop. Falling ground rent leads to deterioration of county services. Deteriorating county services would cause ground rent to drop further. The cycle could only end in blight and a "ghost" county.

It is clear that local distribution increases inequality. Whatever the difference in wealth between the richest and poorest counties on day one, that difference will continue to grow.

The more local the domain of distribution, the more rent becomes not rent at all. It is as though a wealthy landowner pays themselves the rent.

The size of the domain of distribution is inversely proportional to the likelihood of chaos and gross inequality.

Size means population, wealth, and diversity of industry, rather than land area. Chaos is the unpredictability of results stemming from a miniscule change in initial conditions, although the more common definition would apply as well.

With local distribution, an exogenous event, like a factory closing, can turn a virtuous cycle into a death spiral overnight. Fear of barbarism will be a self-fulfilling prophecy as people flee the jurisdiction while they still can afford to, driving land values down even faster. This is the chaos factor.

The larger and more diverse the domain of distribution, the less violent the creation or destruction of wealth.

Even at the U.S. state level (consider Connecticut vs. Mississippi), divergence between the wealthy and poor states will continue to grow. Even at the national level (consider Switzerland vs. South Sudan), divergence between the wealthy and poor nations will continue to grow.

Distribution theory tells us that location value must be returned to the global community that created that value. Only an equal per capita distribution of ground rent, globally throughout the Federation, will lead to liberty and justice for all.