U.S. Projected Rent Revenue

The hyperdeflation at the end of Phase II allows the Earth Dividend to reshape the economy by reallocating productive resources to service itself (the Earth Dividend). This almost omnipotent power attributed to the hyperdeflation event horizon is somewhat theoretical, although the evidence is very substantial. It is difficult, if not impossible, to conceive of any other outcome.

In the interest of reassuring those who are hesitant to rely on a strange event predicted to occur some 40 years into the future, this module shows why rent revenue, at least in the United States, is sufficient for the Earth Dividend without any qualitative or "spooky" changes to the allocation of productive resources as a result of rapid currency deflation.

ATCOR

ATCOR is a Georgist acronym for "All Taxes Come Out of Rent." That is, if taxes go down by $10, rents will ultimately go up by $10. Simple ATCOR can easily be proven false. This is done using marginal land. Marginal land is like ground in an electric circuit. Rather than voltage, it always has a land value of zero. With pun intended, it is a ground for ground.

A person living on marginal land will not see their rent change from zero regardless of whether their taxes go up, down, or stay the same. If taxes go up, rent cannot drop below zero. If taxes fall, a natural response is to use the windfall for better land. Demand at the margin drops, and land prices near the margin drop as well, pulling in the margin. This is the opposite of what is predicted by simple ATCOR.

Because taxes do not represent a sink but are instead spent, their effect on rents is unclear. When good infrastructure is built with tax money, there is evidence that rents increase from the tax. They certainly increase due to government spending.

However, tax dollars spent to redeem or pay interest on debt certainly come out of rent. For the U.S. Government, this is currently (2024) over 20%. For most states and local jurisdictions, the average amount is closer to 10%.

If ATCOR is accepted, the job of this module is done. The total government taxes collected in the U.S. of over $5.1 trillion exceed the Earth Dividend for 325 million people of $4.68 trillion. However, based on data for debt servicing and intuition, I would conservatively estimate about 15% of taxes would go to net rent – if taxes were eliminated.

Besides eliminating taxes, what are the rents paid on land today? This equals the mortgage payments if all land was mortgaged at 5%. Using the conservative estimate from the Bureau of Economic Affairs (BEA), rent on $23 trillion of land value at 5% is $1.15 trillion.

The taxes not included in the former group and serving to lower BEA estimates are property taxes. Property taxes follow the ATCOR model. If there are $0.57 trillion in U.S. property taxes and they are eliminated, ground rent will rise by the same amount.

The most significant source of ground rent under land-based capitalism is location monopoly profits. That is calculated below and explained in an asterisk to the table at $1.95 trillion.

At least three intangibles of land-based capitalism are multipliers on the ground rent. They are the liberation of content, of land, and a cachet associated with the purchase of location value.

The liberation of land allows exclusive use to the most efficient user, and the liberation of content ends the constraints of the IP monopoly on production. The multipliers assumed are 1.15 and 1.5, respectively. The additional cachet associated with the purchase of location value, personified by the landed aristocracy, is assumed to have a multiplier of 1.05.

Conservative Prediction of Ground Rent Revenue		
	Amount (Trillions)	Multipliers (guesstimates)
Property tax elimination	0.57 (Urban Institute 2020)	
Current land value at 5%	1.15 (BEA 2015)	
15% of eliminated taxes	0.8 (Statista 2022)	
Location monopoly rents	1.95 (Statistic 2022, IRS 2017) *	
Landed aristocracy		1.05
Free IP content/ideas		1.50
Most efficient user		1.15
Total	**$4.47 trillion**	**4.47 x 1.05 x 1.5 x 1.15 = 9.73**
Total after Multipliers	**$8.10 trillion**	

* Total revenue of C-Corp (2019) and S-Corp (2017 *latest available*) at 66% assuming 33% net revenue trebles to 99% on average. Elimination of taxes will go directly to revenue at a higher rate than the 33% accounted for above. Very conservative estimate due to the 2017 number, low tax accounting, and exclusion of the largest class of business – sole proprietorships [Hodge 2014] from the data.

Before the multipliers, there was already $4.47 trillion worth of ground rent, almost the $4.68 trillion needed for the Earth Dividend (this module applies to the U.S. only). After the intangibles, an estimated $8.10 trillion in ground rents will be generated, almost twice the amount needed for an Earth Dividend.

If that were the case, the VIP Treasury would be pouring a lot of money into the intellectual property royalties and infrastructure reimbursement to stop deflation. The Earth Dividend would probably be increased as well.

As stated at the start of this module, it is expected that the hyperdeflation of Phase II will materially reduce the real cost of an Earth Dividend, perhaps by an order of magnitude or more.