

## The Geographic Externality Tax: A Spatial Pigouvian Correction to Modern Tax Structure

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### Abstract

This treatise proposes the Geographic Externality Tax (GET), a spatial Pigouvian correction aimed at addressing the wealth leakage and loss of agency inherent in detached corporate structures. The GET raises tax liability as a function of distance between a transaction point and a corporate "hearth" (the locus of decision-making), using a weighted multi-hearth model to internalize the unpriced externality of geographic detachment. Drawing on the local money multiplier effect, the social cost of geographic detachment, and more, the GET incentivizes economic embeddedness, protects local cultural commons, and reallocates decision-making authority without abandoning market mechanisms. The paper addresses administrative, legal, and political critiques, and positions the GET as an effective counter to centralized AGI governance.

**Keywords:** Geographic Externality Tax, Localism, Pigouvian Tax, Libertarian Humanism, Georgism, Corporate Taxation, Libertarianism, Homogenization, Local Embeddedness

**JEL Classification:** D62, R11, Z10

### Epigraphs

Authority should not travel farther than its consequences.

Neutrality towards geography produces non-neutral spatial outcomes.

Productivity has no intrinsic moral value.

If citizens become mere endpoints of distribution rather than participants in an economy, then liberty would survive in name, but not in substance.

## **Introduction**

Modern capitalism treats geography as irrelevant. Federal tax policy assumes spatial neutrality, yet capital is highly mobile while communities are not. Decision-making clusters in a handful of metropolitan hubs while the consequences of those decisions disperse across towns that lack reciprocal power. This structural asymmetry produces wealth leakage, reduced local multiplier effects, and an erosion of community agency.

The Geographic Externality Tax (GET) introduces geography as a formal variable in federal taxation. The GET raises tax liability as distance increases between a corporate “hearth”—the locus of decision-making power—and the point of transaction. In doing so, it internalizes the currently unpriced externality created when economic authority travels far beyond its consequences.

The core economic mechanism is simple: embedded firms recirculate more revenue locally than detached firms. When decision-making and ownership remain proximate to transactions, money multiplies within the same community rather than flowing outward to distant centers of control. Over time, this multiplier gap compounds into measurable differences in entrepreneurship, ownership density, and civic autonomy. The GET does not eliminate chains or prevent expansion, but rather prices the structural cost of detachment.

The proposal is grounded in established theory. From Polanyi’s warning about markets detached from society, to Hirschman’s analysis of exit over voice, to the Pigouvian taxation of externalities, the GET situates corporate geography within a broader political-economic framework. It also draws from Montesquieu’s recognition that distance reshapes power and from public choice theory’s insight that institutions must be designed around predictable incentives rather than assumed benevolence.

Philosophically, the GET rests on a distinction between productivity and agency. Efficiency alone cannot serve as the moral endpoint of a system. A society optimized exclusively for scale may increase output while diminishing the individual’s capacity to meaningfully influence the economic structures around them. The GET adds the social cost of geographic detachment to the price of goods, allowing markets to function with more complete information.

The paper develops a formal mathematical model for multi-hearth corporations, addresses administrative and constitutional constraints within the United States, and confronts the most serious critiques: political feasibility, federal overreach, innovation tradeoffs, and the normative status of culture as a common.

## **Establishment of Metrics**

Henceforth, the idea being presented shall be called the Geographic Externality Tax (GET).

Before undertaking an in-depth analysis, precise definitions of fundamental concepts involved in the GET must be defined.

The Geographic Externality Tax is calculated as a function of the distance ( $d$ ) between the Point of Transaction ( $T_p$ ) and the Corporate Hearth ( $H_c$ ).

A suggestion for the operational definition of the hearth is the location where the majority of C-suite executives maintain their primary offices. The given definition of hearth can be changed, however, for one of the following, or similar: the location of the CEO's primary office, the location of the state of incorporation, or the location where the single largest plurality of human employees exists. The given selection of alternatives represents possible definitions that could be more agreeable in the legislative process. The structure of the GET is scalable; in large countries such as the United States and Australia, it would be reasonable for secondary, tertiary, etc. headquarters to be established and counted as additional hearths. An example for such cases would be to hire  $z$  humans per hearth, where  $z$  is a variable that increases with higher corporate market share. It is noted that many corporations would choose options for tax liability minimization; however, this dilemma is left to specific countries to deal with on an independent basis during implementation.

A possible method for distance calculation is to calculate the straight-line distance from hearth to point of transaction. Such a geometric and not manipulatable approach reduces opportunities for strategic headquarters placement.

Tax base is defined as the gross revenue generated at each geographic location. Critically, tax base does not refer to profit because profit can be easily manipulated. Instead, the system uses gross revenue, providing a more transparent foundation for taxation.

A corporate entity is a single unified entity operating under common management. A subsidiary test—a test which exists mainly to prevent shell company evasion—will dictate the following: that common ownership greater than fifty percent of equity or voting rights constitutes a single entity, that shares management or operational control suggests a clear hierarchy and thus constitutes a single entity, and that different brand names do not necessarily suggest different entities.

The franchise independence threshold option establishes a clear set of criteria that dictate the true independence level of a franchise. An example of a possible franchise independence threshold is if three or more of the following controls are exercised by the franchisor, the franchise is subject to the GET:

- Mandatory supplier contracts;
- Required pricing;
- Mandatory hours of operation;
- Required management hierarchy/structure;
- Mandatory promotional participation;
- Required inventory levels;
- A non-compete radius exceeding twenty miles.

Note that the given franchise independence threshold variables comprise an example for a possible franchise independence threshold.

Small business exemption is a possible design component that allows small businesses to expand without a need for additional provisions. Such an exemption would not need to exist,

however, with the possible design feature of increased tax burden percentage by market share.

The following metrics define what the GET is attempting to maximize: community character index, net ethical agentic euphoria, and economic vitality.

Agentic euphoria is defined as agency-prioritized happiness, meaning that the ability to logically make decisions that improve circumstances is where happiness is derived. Ethical agentic euphoria adds the variable of ethics to decision-making; it is constrained by universalizable principles. Note that this concept shall be covered in higher depth with the other philosophical foundations.

A community character index can be used to measure the GET's effects. Within the scope of the community character index exist the diversity of business types per unit of area, the ratio of locally-owned to chain establishments, employee ownership rates, and revenue retained in the local economy. Collectively, these metrics serve as quantification for the degree to which a community maintains distinctive economic identity and localized ownership.

In application, there could be guidelines in place to exempt e-commerce, business-to-business operations, essential services, utilities, and healthcare facilities from the GET. In section seven, there exists further insight into the relationship between the GET and e-commerce. Nonetheless, the other explicit exemptions reflect the principle that the GET solution should target the specific market failure that it is designed to correct: the externalization of community displacement costs in dining, retail, and service markets. Therefore, the GET serves as a pragmatic approach to a nuanced problem rather than as a general indiscriminate corporate tax like the flat 21% currently applied in the United States.

The remainder of section two shall encompass application of the GET with mathematical modeling. The following application shall assume several facets of the GET that are not clearly defined in the GET's theoretical structure.

Let the relevant geographic domain be the United States. The following formulas are applicable across many areas, but application towards the United States shall be used as an example. The following formula represents the two-dimensional spatial plane of the United States.

$$\Omega_{US} \subset R^2$$

Because revenue originates from a specific place, a firm's gross revenue must be distributed over space through a non-negative density, as money always carries a positive value.

$$r_f(x) \geq 0$$

Revenue originates from given location  $x$  and the density  $r_f(x)$  is the amount of revenue at location  $x$ . The following equation measures total gross revenue. Using Riemann sum logic, the equation splices the revenue at all specific points in a given range.

$$R_f = \int_{\Omega_{US}} r_f(x) d\mu(x)$$

Here, the hearth is defined as the location of the greatest control, the location where decisions are made that drive corporate decisions. In reality, large corporations often hold multiple hearths given the large amount of decision-making. Thus, there must be structures in place to incorporate the possibility of multiple hearths. The weight that each hearth carries is proportional to the amount of decision-making that occurs at that hearth.

$$H_f = \{h_{f,1}, h_{f,2}, \dots, h_{f,m}\}$$

The following two formulas showcase the arithmetic behind hearth weighting. The hearth is where corporate agency lies. The latter of the two shows how the power that a given corporation has is set at 1, and that power can only be moved, not expanded. This means that for every additional established hearth, the firm would allocate decision-making power to ultimately minimize tax liability.

$$(\alpha_{f,j} \geq 0)$$

$$\sum_{j=1}^m \alpha_{f,j} = 1$$

In the established scope, distance must be in relation to the geography of the United States. A flat map distance is distorted based on the Mercator projection and becomes more nuanced when Alaska, Hawaii, and overseas territories are involved. Therefore, distance is defined by latitude and longitude, indicated by the below coordinate pair.

$$d(x, y)$$

The below equation showcases the simplest case, when there is one hearth. When there is one hearth, it is assumed that all decision-making power occurs at this hearth.

$$d_f(x) = d(x, h_f)$$

If the firm is multi-nodal (meaning multiple hearths), the effective distance must incorporate a weighted average of distances to each hearth.

$$d_f(x) = \sum_{j=1}^m \alpha_{f,j} d(x, h_{f,j})$$

The design of a corporation holding a set amount of power over taxation propels the firm to redistribute real power without unilaterally expanding general corporate power. For example, if corporation K has a hearth in Wichita, Kansas and establishes a new one in Reno, Nevada, the weight of each hearth would be determined by the amount of agency each hearth possesses in corporate decisions. If only 10% of agency is allocated to Reno, then Wichita would hold 0.9 weight and Reno would hold 0.1 weight.

A transaction in Sparks, Nevada would carry more GET tax burden than a transaction in Eastborough, Kansas because of the given weighting. For a given transaction, the GET tax burden would be calculated in spatial comparison to all of the firm's hearths and the hearths' agency weighting.

Let us say that consumer A purchases a \$100 good from a corporation K franchise in Sparks, Nevada. In this example, the GET ranges from 0% to 30%. The transaction's GET burden would be in reference to all of the hearths of corporation K (the Wichita hearth and the Reno hearth).

The straight-line distance from the Sparks franchise to the Reno hearth is approximately 10 miles. The straight-line distance from the Sparks franchise to the Wichita hearth is approximately 1,440 miles. The weighted effective distance  $d_f(x)$  from Sparks to corporation K's hearth system is calculated as follows:

$$d_f(x) = \alpha_{Reno} \cdot d(x, h_{Reno}) + \alpha_{Wichita} \cdot d(x, h_{Wichita})$$

$$d_f(x) = (0.1)(10) + (0.9)(1,440) = 1 + 1,296 = 1,297 \text{ miles}$$

The given model assumes a straight-line GET model where 0 miles corresponds to a 0% rate and a threshold distance of 3,000 miles corresponds to the maximum rate of 30%. Such a model means that each mile adds 0.01% to the GET burden. The applicable GET rate  $\tau$  for this transaction is:

$$\tau = \frac{1,297}{3,000} \times 30\% \approx 12.97\%$$

The GET liability on consumer A's \$100 transaction is therefore approximately \$12.97, yielding a total transaction cost of \$112.97.

Now consider consumer B, who purchases an identical \$100 good from a corporation K franchise in Eastborough, Kansas. The straight-line distance from Eastborough to the Wichita hearth is approximately 3 miles. The straight-line distance from Eastborough to the Reno hearth is approximately 1,440 miles. The weighted effective distance is:

$$df(x) = (0.1)(1,440) + (0.9)(3) = 144 + 2.7 = 146.7 \text{ miles}$$

The applicable GET rate for consumer B's transaction is:

$$\tau = \frac{146.7}{3,000} \times 30\% \approx 1.47\%$$

The GET liability on consumer B's \$100 transaction is therefore approximately \$1.47, yielding a total transaction cost of \$101.47.

While the GET's mathematical backing offers a glimpse into real implementation, the foundations of the GET lie in established theories. The following foundational sections situate the GET in established academic spheres, moving beyond the mathematical base.

### **Economic, Geographic, and Political Foundations**

Individual rational decisions create collectively catastrophic outcomes when costs are dispersed across many involved parties.

Under the premise that corporations are rational actors seeking to maximize general value, that capital is geographically mobile, that communities are spatially fixed, and that relocation

of communities bears costs, it is seen that federal tax policy is formally neutral towards geography.

This neutrality hides structural asymmetry. Capital can be moved across regions quite easily, whereas a workforce cannot. Such a relationship with easily movable, fungible capital and a tethered workforce introduces a dichotomy where there is an innate uneven bargaining power between firm and community. This imbalance has long been observed by academics. As Karl Polanyi claims in his work *The Great Transformation*, markets become destabilizing when economics becomes detached from society.<sup>1</sup> He argues that the factors of production became fictitious commodities, meaning that while not intended for sale, they are essentially products and are treated as such. Labor and land are bought and sold (in a simple transactional scope). The treatment of money as a commodity creates financial crises in communities dependent on money. The fact that money is easily moved means that many communities' livelihood is tethered to a factor beyond their control.

Concerning his views on power in society, Baron de Montesquieu claimed that political structures are shaped by geography. In *The Spirit of the Laws*, he posits that there are regional differences in citizens based on climate, and that such nuance requires large territories to implement different institutional designs than their smaller counterparts.<sup>2</sup> This paradigm backs his further views on the subject; Montesquieu also argues that distance impedes the immediacy of necessary governance. Corporate governance is a form of private political authority, and executive clustering in large cities or coastal areas creates a geographic concentration of decision-making power.

The recognition of corporate governance as a form of tangible authority invites comparison with recognized governance. With the acknowledgment that corporate governance is real, the matter can be compared to the American federalist system. It is noted that most of the power lies in the District of Columbia; however, the legislators and other bureaucrats there originate from across the country. The features of two senators from each state and proportional representation in the House of Representatives show that the American federal system has decentralized governance built into its structure. The federal system institutionalizes geographic representation, rendering public power territorially "just." Thus, the American constitutional order assumes that geography shapes power and therefore distributes such power accordingly.

Nevertheless, the corporate sphere contains no such mechanics of geographic representation. In his treatise *Exit, Voice, and Loyalty*, Albert Hirschman explains the high feasibility of corporations exiting jurisdictions and how geographic mobility reduces the incentive for firms to negotiate with communities.<sup>3</sup> The threat of relocation weakens local bargaining because while a corporation is able to take a firm stance, the members of a community are invariably individuals acting as an entity in a community-corporation relationship, meaning that seemingly simple plans such as boycotting can rarely be executed on a large scale.

However, the current bureaucratic structure allows the opposite of boycotting: communities are able to entice corporations on a large scale. In 2018, Amazon started a bidding war for a secondary headquarters location. Cities of all sizes across the United States competed, often

offering billions in tax incentives and other favorable regulations.<sup>4</sup> While Arlington, Virginia ultimately “won” the competition and boosted its job market, the dynamics of the competition revealed a race-to-the-bottom complex where private corporations visibly exercised power over the people (via local governments).

The Amazon example illustrates real-world bargaining asymmetry. The GET would reduce the structural advantage of geographic detachment. Under the GET, corporations would be incentivized by structurally lower taxation rather than promised less taxation.

Such an argument brings about the following counter: why would every corporation not perfectly centrally position itself? If a corporation were to establish a secondary headquarters in Lebanon, Kansas—the geographic center of the contiguous United States<sup>5</sup>—it would face lower taxes in the greater Kansas-Great Plains region. However, it would face sizable taxation from transactions on each coast (where most of the population is concentrated).

Another counterargument can be proposed: would not all corporations cease operations in the American coastal regions? There are three strong rebuttals to such a counterargument:

1. The GET implies that corporations are able to establish multiple headquarters (pursuant to paragraph three of section two);
2. Much of the population is concentrated on the coasts;
3. Coastal areas such as the San Francisco Bay Area, Los Angeles County, the Seattle-Tacoma metropolitan area, and Greater NYC offer substantial economic advantages (port access, existing infrastructure, etc.) that cannot be rivaled by their inland counterparts.

The GET is not completely without precedent. British economist Arthur Pigou created the idea of “Pigouvian taxes” under the idea that externalities occur when private costs differ from social costs. Pigouvian taxes specifically correct “behavior that harms others without their consent.”<sup>6</sup> While frequently tied to the idea of the environment, Pigouvian taxes can be applied in relation to the loss of the multiplier effect and commercial homogenization. A complex view of power and society can associate culture as part of the commons; the idea of the commons generally solely applies to the environment. The GET is a Pigouvian tax that associates culture as both part of the commons and subject to the tragedy of the commons. Because many are naturally subject to conditions brought forth by the commons, the commons is inherently collectively-owned. The GET views this collective ownership as being subject to individual decisions within the greater collective.

Current federal law in the United States assumes spatial neutrality, which in turn predictably leads to concentration. Canadian economist Jane Jacobs believed that economic vitality arises from local diversity.<sup>7</sup> When embedded firms reinvest locally, the communities that fund firms receive the same money back, but multiplied.

Assume the town of X has 10,000,000 USD/year in consumer spending for dining and retail. Case A will examine X with an embedded firm, a firm that is locally owned and governed. Case B will examine X with a detached firm, a firm that is externally owned and governed (where the hearth is not tied to the town).

Below is the formula for local activity, where  $S = 10,000,000$  USD and  $\lambda =$  the local retention rate—the share of each dollar that stays local during each round of purchases via wages/local owners spending locally.

$$T_L = \frac{S}{(1 - \lambda)}$$

$$\text{Case A (Embedded): } \lambda_E = 0.60 \rightarrow \frac{(\$10M)}{(1 - 0.60)} = \$25M$$

$$\text{Case B (Detached): } \lambda_D = 0.30 \rightarrow \frac{(\$10M)}{(1 - 0.30)} \approx \$14.29M$$

$T_L$  is the total local activity,  $S$  is initial spending, and  $\lambda$  is the local retention rate.

Let us assume that the embedded firm retention,  $\lambda_E$ , is equal to 0.60 and the detached firm retention,  $\lambda_D$ , is equal to 0.30. In this scenario, this means that embedded firms locally circulate 60% of revenue and detached firms circulate 30% of revenue. The 40% and 70% respectively are lost in taxation and the purchase of goods and services outside of the community.

In reality, the gap between  $\lambda_E$  and  $\lambda_D$  is likely larger, but here, conservative estimates shall be used.<sup>8</sup>

In Case A, a mere 10 million USD in spending generates 25 million USD in total local activity.

In Case B, 10 million USD in spending generates approximately 14.29 million USD in total local activity.

Simple subtraction of 14.29 million USD from 25 million USD finds that the pecuniary difference of one year of spending equates to approximately 10,714,286 USD.

If over time spending levels and retention rates are stable, the annual gap can be multiplied by the number of years. Thus, in ten years, the gap between Case A and Case B is approximately 107,142,860 USD. However, the real number is likely far higher when accounting for higher price level and higher disposable income in Case A and less of each in Case B.

The GET theorizes that detached firms impose a predictable leakage externality. The increase of tax liability as distance from a hearth increases is a mere Pigouvian correction aimed at the structural gap between  $\lambda_E$  and  $\lambda_D$ .

The outward transfer of surplus may be privately rational and socially cumulative simultaneously.

The current flat corporate tax in the United States treats both Case A and Case B equally because the law assumes spatial neutrality. Nevertheless, neutrality towards geography produces non-neutral spatial outcomes.

The production of non-neutral spatial outcomes can be readily seen with Mississippi, a state dominated by franchises offering supposedly unbeatable prices and products. In a transaction, both parties are supposed to emerge victorious; however, this is generally not the case in Mississippi. Such a view of transactions implies that both sides have equal agency. While one Mississippian may realize the implicit costs of spending money at franchises, he must rely on the collective agency of all Mississippians to emerge victorious. If 25% of Mississippians realize the dangers of the lack of local enterprise and the potential success of the money multiplier, but 75% do not realize such things, then 100% of Mississippians will experience the negative consequences of detached firms.

The divergence between Case A and Case B is not confined to money flow. The multiplier gap translates into differences in key metrics such as ownership density, entrepreneurship levels, and civic autonomy. With GET implementation, over time, the local multiplier would likely be higher, granted the presence of more embedded businesses transacting with each other. Therefore it is seen that with the aforementioned conservatively-estimated gap, high embeddedness is an indicator of the strength of a local economy.

### **Philosophical Foundations**

Culture in the context of the GET is not reducible to something measurable or even easily perceivable (cuisine variance, storefront architecture, etc.). Culture is part of the commons because its erosion affects all members irrespective of individual consumption actions. Additionally, culture holds importance beyond its intangible nature.

In *the Public and Its Problems*, John Dewey posited that proper democracy is contingent on civic participation.<sup>9</sup> While he was specifically concerned with the kairos of his writing, the industrialization of the urban United States, the philosophy persists to this day. The difference between industrial labor and modern labor is negligible in the importance of authorship. Dewey's warnings that industrial entities were eroding local communities ultimately became valid as entire communities transformed to become reliant on one corporation's enterprise, and thus such communities experienced the negative effects when corporations decreased activity or left communities entirely. A community whose businesses are displaced by detached economic institutions loses the democratic element of a local economy. Therefore, under a John Dewey paradigm, culture in the sense of the GET is positively correlated with community agency, not simply intangible character. The role of the idea of agency is critical to a proper understanding of the GET's potential position in society.

A uniting idea of the underlying theory from which the GET is derived, Libertarian Humanism, is "ethical agentic euphoria," which refers to happiness that prioritizes the ability to ethically and logically make choices to better circumstances. A system optimized exclusively for price efficiency and productivity objectively increases short-term consumption satisfaction, while concurrently eroding the deeper satisfaction derived from civic and economic authorship.

In *Development as Freedom*, Amartya Sen's ideas support such an idea. He argues that an economic system is only as successful as the extent that it expands the ability to exercise personal freedom.<sup>10</sup> By claiming that the ability to live lives of one's own volition should be prioritized, Sen is incidentally also claiming that a system built to maximize consumption is an underdeveloped system. In a free market under the principle of agorism, entities enter into contracts where each entity emerges victorious. Thus, a system where the flow of goods is one-sided prioritizes the productivity of goods for consumption at the expense of agentic euphoria and is not a free market.

In the *Enchiridion*, Epictetus presented the world into two spheres, the former which consists of actions within control and the latter outside of control.<sup>11</sup> Epictetus believed that real human happiness is derived directly from decisions made in the first sphere in the context of the second sphere. Preferred indifferents in the context of Stoicism are things that can be considered desirable, but exist in the second sphere. Therefore, preferred indifferents do not contribute to real human happiness. An economic system that is optimized for consumption satisfaction is optimized for preferred indifferents. For this reason, Libertarian Humanism holds that the role of government is to protect and expand the domain of the first sphere, the area in which citizens can reasonably exercise agency because the exercise of such agency accumulates the real happiness that life is about. The GET simply substitutes the preferred indifferent of lower prices and efficiency with the genuine good of economic authorship.

Libertarian Humanism is based on the idea that the purpose of government is to maximize the ability for a person to express agentic euphoria, not productivity or efficiency. It recognizes that productivity and efficiency are means of achieving happiness, so productivity and efficiency should be maximized only to the extent that they do not encroach on agentic euphoria.

The GET is built in such a way that if a product is truly desired by consumers, it can transcend protective taxation. Instead of an economic system where corporations fight over market shares by maximizing economies of scale, the GET introduces the secondary competitive dimension of spatial responsibility.

Under the GET, firms would compete on proximity, reinvestment, and embeddedness in addition to the existing forces of price minimization and logistical prowess. While scale would remain quite possible, detachment would no longer be fiscally neutral.

Under the GET, if a product is genuinely superior, then it would be able to withstand the corrective mechanism, meaning that markets would still be "free" in the sense that innovation would still be rewarded. The GET would simply incorporate the real social cost of a transaction into price, actually providing a more accurate representation of a good's cost.

The GET holds that if citizens become mere endpoints of distribution rather than participants in an economy, then liberty would survive in name, but not in substance.

## Limits

The majority of the limits associated with the GET lie in application, not theory. For the purposes of this treatise, the scope of this section shall be largely confined to the United States.

The following encompasses administrative and measurement limits.

The GET requires accurate reporting of gross revenue by concentric ring, as well as a consistent definition of "hearth" across the country. While the GET aims to decentralize power, its implementation would realistically expand federal auditing.

Practically, distance measurement may be complex operationally and may result in off-beat placement of headquarters in order to maximize reach. Additionally, smaller multistate firms could face disproportionate reporting burdens; a solution to this would be to scale GET tax burdens by gross revenue. Furthermore, there is substantial risk of litigation over classification, so GET implementation would require clear metrics.

The ability to create shell subsidiaries in multiple geographic hearths offers the opportunity for corporations to avoid much GET taxation. This notion introduces the idea that realistic GET implementation would require precise legal engineering.

The GET would increase the surveillance demands of the federal government in private enterprise.

The following section addresses economic and behavioral limits.

Economically, prices for consumers may rise and supply chains could become more nuanced. Many consumers may prefer lower prices over local embeddedness (though such consumers act off of sticker price with incomplete information under an exploitative system), and the GET would raise prices for consumers in the short term. Additionally, there is increased risk of vertical integration and mergers to avoid classification thresholds. There must be methods in place to prevent such occurrences.

Firms may make seemingly inefficient adjustments to avoid tax burden, minimizing productivity. It is noted that in some cases, centralization can increase productivity, as proximity of corporations in a certain sector would propel the entire sector collectively forward. While decentralization is a normative goal of the GET, not all concentration is distortive.

The following section addresses legal limits.

The Commerce Clause gives Congress the power to regulate interstate commerce, but the GET does not have much precedent for such blatant use of this power. The most obvious challenge is the supersession of existing corporate and state tax structure. Critics may also argue that the GET violates principles of uniform taxation.

The following section addresses political feasibility and political economy limits. Admittedly, big business would most likely be staunchly opposed to an actual proposal of GET implementation. Additionally, existing concentrated power in coastal areas could see the GET as overwhelmingly pernicious long-term, despite the presence of strong agglomeration economies. Other possible critiques include, but are not limited to, the following: that chains offer legitimate value and consistency beyond cost, that the GET is not politically feasible, that the GET does not align with libertarianism and the free market, that direct intervention like zoning is more efficacious, that gross revenue tracking is technologically complex, that chains are good employers, that the GET is a wealth distribution tax, and that the reason why the GET has not been previously proposed lies in its flaws.

The final section addresses philosophical limits.

Some may not view culture as part of the commons because cultural harm is mostly normative. This core distinction removes much of the basis for the GET; if it is not protecting the commons, the GET could be seen as a simple restriction on the free market. If culture is not a public good, then the GET risks imposing moral preference.

Therefore, the most significant limit of the GET is the assumption of culture as part of the commons legitimately subject to harm.

### **Addressing Limits**

While the practical limits of the GET seem substantial, such limits are not conceptually sound. Most implementation challenges—these include gross income reporting, standardized hearth definitions, and federal expansion—are administrative obstacles. The federal government already administers complex multistate taxation systems, environmental regulations, and more. The modification of the current corporate tax with the GET simply introduces a spatial variable.

The following addresses administrative and structural rebuttals.

The possible strategic positioning of headquarters to maximize reach reflects the incentives that the GET seeks to correct. Strategic relocation is not necessarily evasion, but rather adaptive compliance.

Concerns regarding disproportionate tax burdens on smaller multistate firms may be mitigated through tiered brackets based on revenue. Similar to existing federal tax structures, regulatory complexity can scale with firm size without undermining the inherent theory.

The risk of vertical integration and mergers proves the need for clear subsidiary aggregation rules. Such an issue is present in corporate law as well.

Every digital transaction is already geographically tracked, so the GET would not require any additional technology for implementation. Additionally, the structure of the GET allows for flexibility and scalability, meaning that certain countries could choose concentric rings or

straight-line distance for taxation calculation, minimizing the need for exact geotagging of purchases.

Direct intervention can be complemented by the GET. Over time, the GET may be able to phase out such things as zoning and local procurement.

The following addresses constitutional rebuttals.

The Commerce Clause grants Congress the authority to regulate interstate commerce. While the GET aggressively uses this authority, it is non-discriminatory. The variable of distance is applied uniformly across all states. The GET does not privilege in-state actors over out-of-state actors, nor is it discriminatory based on state origin. Therefore, it is not unconstitutional merely because of its unorthodox and pragmatic nature. The GET is constitutional because it would apply uniformly across all parties involved.

The following addresses economic and behavioral rebuttals.

By arguing that the GET would raise costs on consumers, particularly ones dependent on cheap goods for survival, the indirect argument against environmental regulations is also being made. Environmental regulations objectively raise costs because following such guidelines is more expensive for firms. Both culture and the environment are part of the commons because both affect all involved. Because culture is part of the commons, it must be preserved through legislation, like the environment.

Additionally, revenue gained by the GET can be allocated to poorer regions that would experience short-term repercussions of the GET's deployment. Realistically, with the money multiplier, it would take multiple years for communities to see tangible economic growth to offset the higher price level. A potential GET Transition Fund could be allocated to communities that would initially experience repercussions in short-term price increases.

Offshoring is not a viable option to evade the scope of the GET because offshored firms would simply face tariffs higher than the GET taxation. If a firm were to leave the United States, it would either have to choose to face such tariffs or choose to shift the consumer base to other countries. Both options would inevitably lead to domestic small business growth.

The GET also incidentally incentivizes private investment in poorer regions without the race-to-the-bottom dynamic of relaxed regulations simply to attract economic growth and non-Keynesian employment opportunities.

The GET does not prevent chains from existing, but rather forces such chains to internalize externality costs. If the tangible benefits that chains offer are genuinely superior for consumers (i.e. sanitary restrooms, consistent service, dependable staff, etc.), then the consumers will pay the slightly higher price that includes the community cost associated with the patronizing of such establishments. The GET, therefore, still trusts the consumer's ability to choose, but also recognizes that consumer choices are not independent, but rather can affect communities at large.

Some corporations are good employers that offer several workplace advantages that other employers do not (and cannot). However, on aggregate, local businesses recirculate more revenue locally and are smaller, meaning that each given employee statistically has a greater ability to influence decisions.

The GET would also mitigate the risk of large-scale strikes. With fewer large corporations, workers would be less mobilized and less incentivized to strike. Because the average worker would be employed in a smaller business, the average worker would hold more bargaining and decision-making power.

The GET could also apply to e-commerce. While this would negatively impact small businesses that possess a presence that is solely online, the refinement of taxation brackets based on market share or company revenue would dictate that such e-commerce businesses would not be subject to much additional taxation than beforehand.

The following addresses political feasibility rebuttals.

To say that the GET is not politically viable is to say that political viability is a metric of intellectual merit. Several existing pieces of legislation were long deemed politically impossible until they were passed, including such things as the progressive income tax and marriage equality. Furthermore, there is a recent trend amongst consumers to pay more for local and sustainable items, so opposition is not monolithic. The Amazon HQ2 scenario reveals the need for GET; cities desperately want corporate headquarters. With the GET, cities would present new opportunities for corporate headquarter locations without the race-to-the-bottom. In terms of support, rural citizens would be the most likely demographic to support the GET en masse, but the GET could realistically also see significant support from urban reformers, progressives, and libertarians.

A possible reason the GET has not been proposed yet is because it threatens major interests. Any politician to support the GET would face obstinate opposition from many major corporations, rendering such a stance politically costly.

The following addresses free market and philosophical rebuttals.

To say that the GET does not support the free market is to confuse individual liberty with mutual problems. A person's freedom to pollute infringes on another's freedom to breathe clean air. When 75% of Mississippians shop at chains, they are creating a negative externality for the 25% of Mississippians who desire local economies, but monetarily cannot sustain such businesses independently. The GET creates prices that reflect both intrinsic and social costs, letting consumers choose freely based on accurate information. The free market is maintained and arguably strengthened.

Ultimately, the majority of the supposed objections to the GET are not concerned with its underlying principles. The limits of administrative barriers, risk of litigation, and possible

bypasses do not undermine the central claim that spatial detachment generates externalities currently unpriced by federal law.

Authority should not travel farther than its consequences.

### **An Overview of the Underlying Theory**

Perfection as it pertains to political economy is unattainable. If every aspect of a system were perfect, no perfect outcomes could be predicted, but rather only perfect conditions to create desired outcomes.

With this facile philosophy taken into account, it is easy to realize that contemporary political economy operates within a false binary. Progressive-aligned entities advocate for expansive government intervention to accomplish several things outside the functions for which the government is institutionally well-suited (i.e. radical correction of market failures, redistribution of wealth, and the guarantee of social reforms). Conversely, conservative-aligned entities champion free markets, limited government, and individual responsibility. While more akin to the intended role of government, conservative philosophy falls short in practice.

Essentially, the progressive ideology fails because it misidentifies the problem. Income inequality does not necessarily prevent human flourishing. Such an ideology equates an additional unit of monetary currency to an additional drop of happiness. The progressive solution fails to realize the concentrated power that forecloses the opportunity to pursue property is what prevents the human ability to flourish. The progressive solution extracts resources from productive actors through taxation, redistributing such resources through overbearing bureaucratic mechanisms. This approach simultaneously dulls incentives for productivity and disproportionately increases the power of the redistributive apparatus. With each expansion of redistributive programs, the amount of dependent constituencies also increases, rendering reform politically impossible.

The conservative ideology fares only slightly better. Free market fundamentalism assumes that markets self-correct in all domains and that government intervention inevitably worsens outcomes. This viewpoint ignores entire categories of market and social failure where decentralized coordination produces catastrophe and private consolidated power impedes natural rights. Conservatism fails to acknowledge that while power is finite, there is always a set amount of power, that even if the bureaucracy did not hold much power, other institutions would. In any given society, power is never eliminated, only redistributed. Conservatism also fails to address the tragedy of the commons—environmental degradation included. Even outside the scope of monopolies and the environment, the 2008 financial crisis illustrates the failure of conservative orthodoxy. Major financial institutions engaged in reckless lending, securitized worthless mortgages, and levered themselves to ratios that guaranteed insolvency when housing prices declined. Conservative responses insisted that removing governmental interventions would have prevented the crisis; this argument is historically illiterate. Banking crises occurred with regularity in the 19th century United States when government involvement in finance was minimal. The pre-Federal Reserve era saw frequent bank runs, credit freezes, and constant economic contractions. Such objectively “bad” things were caused

by institutions privatizing gains while socializing losses through implicit bailout guarantees, not government intervention.

Both progressive and conservative ideologies are extreme. However, even moderate schools within each are severely flawed, not out of moral intuition, but out of the failure to realize that systems must be designed for ability, not results. Just because an institution is designed with altruistic intentions does not mean the end result will be moral, even if all system entities act rationally. Intentions are built by incentives. The questions to ponder when creating a system are as follows: Under what conditions do markets coordinate well? Under what conditions do markets predictably fail? Under what conditions does government intervention work? Under what conditions does government intervention worsen conditions?

Markets systemically fail when property rights are unclear and when certain externalities exist that disincentivize competition. Governments systematically fail with an excess of either consolidation or decentralization of power and when voters do not have the agency to rationally elect leaders. Some problems—this refers to issues outside of the scope of markets or governments—are commons problems. To rectify commons problems is to acknowledge that productivity is not the end goal of a society.

Productivity has no intrinsic moral value. By definition, productivity is measured by the efficiency of production. Generally, it is better to be more productive than less productive; this aphorism questions the importance of productivity at all.

In essence, productivity is only important insofar as it maximizes happiness. The replacement of all human employees with AGI counterparts would be economically productive, as AGI would be able to work at all times without mistakes. However, it can be readily seen that replacing all labor with AGI is not conducive to happiness, which introduces a critical divergence in thought.

Throughout history, the purpose of technology and discovery has been to ease tasks that humans do not want to do by themselves and delegating these tasks down the hierarchy. A king who wanted to tidy his castle would tell a subject who would tell a servant who would inevitably clean it. Nevertheless, the servant had to use some tool, no matter how rudimentary. A cheap rag is technology to make the servant's life easier. The servant is technology to make the subject's life easier. The subject is technology to make the king's life easier. Technology allows humans to use their agency for more useful things.

A common mechanism used by entities pushing for certain projects is to claim that such a project would create jobs. Contrary to rationality, the creation of jobs is seen here as a positive, artificially boosting the local economy. Such a Keynesian approach to work stalls productivity, yet may increase general happiness given that jobs provide money.

In the USSR, a combination of policies led to what Vodopivec deems the full employment syndrome.<sup>12</sup> These policies included such things as low wage differentiation, "suppressed work incentives," and miscellaneous legislation that led corporations to satiate the seemingly insatiable need for labor in a cost-efficient manner. In 1991 Germany, East Germany's GDP

per worker was 40% of West Germany's.<sup>13</sup> This is despite the fact that East Germany's employment of 9.3 million workers meant that its unemployment rate was essentially zero.<sup>14</sup>

Such evidence kindles two more thoughts: 1. The notion that money is what sparks happiness for job creation seems evident, but is seemingly unprovable; and 2. Happiness garnered from job creation might be moot when ethics and agency levels are discerned.

The Easterlin Paradox posits that while initially correlative, happiness and wealth become unrelated as wealth increases.<sup>15</sup> The presence of a threshold where money begins to not bring happiness begs the following question: if not happiness, what is the point of money accumulation after that threshold? Admittedly, the Easterlin Paradox is prone to the fallacy of weak induction. Nonetheless, the fact that there is a threshold means that more money does not necessarily equate to more happiness, proving a diminishing marginal utility of income.

Thus, emerges an ideology built on three axioms: 1. The purpose of life is to be as happy as possible, but happiness must be agency-prioritized and ethical. 2. Both market and government failures are predictable consequences of incentive structures. 3. Institutions must be designed to minimize both market and government failures simultaneously.

Libertarian Humanism evolves from pure libertarianism with the acknowledgment that although market coordination almost always works, there must be a governing body that corrects problems when it does not. This governing body must be limited and decentralized to preserve natural rights and individual interests.

The essence of Libertarian Humanism is a system that strays from the assumption that good intentions create good results. Akin to James M. Buchanan's public choice theory, Libertarian Humanism believes that outcomes can be predictable based on incentive-driven self-interest.<sup>16</sup>

Libertarian Humanism does not claim to have perfected political economy. It offers a solution to balance power between laymen, corporations, and bureaucracy. It offers a way to make good on the unalienable promises of life, liberty, and the pursuit of property. It offers a system predicated on objective moral truths. It strives to offer happiness to people who work towards it.

### **Scope and Limitations of Claim**

The GET does not claim to eliminate income inequality, prevent all corporate concentration, guarantee rural growth, or replace existing policy tools. Additionally, the GET does not prohibit the free market nor minimize productivity. Simply put, the GET adds the social cost of culture and local multiplier eradication to established product costs, costs that already include the cost of materials, the cost of labor, profit markup, and the cost of living in a society (sales tax). The GET's empirical assumptions regarding local multiplier differentials require further calibration and insight across more nuanced regions. The GET's normative foundation that economic embeddedness innately possesses commons-like characteristics affecting the extent of collective agency remains rather contestable. Thus, the GET is presented as an institutional adjustment designed to price geographic detachment.

A potential benefit of the GET not mentioned thus far is as follows: its role as an AGI counter. With the GET, an AGI-run tech corporation would be incentivized to establish additional headquarters. These headquarters could require human workers depending on a hearth definition, meaning that the given tech corporation would have to hire humans to genuinely make decisions.

The centralization of decision-making over artificial intelligence is a crucial reason to fear it; if an agglomeration of individuals in San Francisco control artificial intelligence itself, it controls the digital world, the internal dynamics of thousands of entities, and the personal data of billions. With the GET, corporations would be forced to distribute real decision-making authority where they operate; otherwise, the fiscal benefit of using artificial intelligence would be offset by the GET.

The GET is superior to other suggested policies governing AI, most of which either fail to recognize the problem of diminishing agency or propose a radical abolishment of fundamental capitalist principles.

To illustrate this, OpenAI will be used. Currently, OpenAI's hearth is in San Francisco, where almost all decision-making occurs (although OpenAI possesses offices in select locations around the world). If the United States were to implement the GET, it could view an OpenAI message as a taxable transaction. As a result, OpenAI would have to establish hearths around the United States to the extent that the cost of establishing additional hearths equals tax burden.

In section seven, a possible measure to ease the short-term burden on the most affected individuals was first suggested. The proposed "GET Transition Fund" would best be a negative income tax (NIT). Originally proposed by Milton Friedman, an NIT coupled with the GET would satiate short-term repercussions and could be phased out in the long-term if necessary. Again, the NIT is built off of a trust of people's agency, and even more agentic euphoria can be accrued from a combination of GET and NIT.

Thus, despite its flaws, the GET is a tool that would be able to benefit several facets of a society at once in a long-term scope.

## **Conclusion**

With the core tenets of Libertarian Humanism established, the GET emerges from all geographic, economic, political, and philosophical doctrines.

Geographically, the GET acknowledges that space should be a variable in economics. Decision-making far detached from transactions concentrates power and creates a domestic imperialism complex where firms compete to exploit communities.

Economically, the outflow of money from communities to concentrated areas reduces the money multiplier and thus economic power of a town. The GET argues that a monetary unit

in a decentralized area is inevitably more valuable than a monetary unit in a centralized area because of the Easterlin Paradox.

Politically, the GET would use the federal powers granted in the Constitution (for application to the United States) to decentralize power. Libertarian Humanism acknowledges the finite nature of power, that power can only be spread, not expanded or contracted. This means that as firms use economies of scale to expand, power is shifted from small businesses to these corporations.

Philosophically, the GET rests on the value of ethical agentic euphoria, that while individuals are entitled to free will in a society, there exist social costs that must be built into real costs. Together, these foundations support the view that government exists to protect the rights of citizens. The citizens have the right to maximize ethical agentic euphoria, and the GET protects that right.

The Founding Fathers realized that distance corrupts governance, that a king across the ocean should not be the determinant of internal affairs. American federalism distributes political power by geography based on this notion. Somehow, markets are exempted from this wisdom. The GET realizes that a New York private equity firm owning the commercial infrastructure of a Mississippi town equates to a king in London governing colonies in North America, same distance and corruption but different crowns.

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Najeeb, F. Luke should be accredited as a significant contributor to much of the underlying philosophy of Libertarian Humanism.

## Foot Notes

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