WHAT IS RSF?

The Robert Schalkenbach Foundation (RSF) is a private operating foundation, founded in 1925, to promote public awareness of the social philosophy and economic reforms advocated by famed 19th century thinker and activist, Henry George.

Today, RSF remains true to its founding doctrine, and through efforts focused on education, communities, outreach, and publishing, works to create a world in which all people are afforded the basic necessities of life and the natural world is protected for generations to come.

Who was Henry George?

Born in Philadelphia in 1839, Henry George was raised in a lower middle class, devout Episcopalian home. An observant, curious, freethinker, George abandoned his religious education as soon as he was able, and ceased all formal education by age 14, choosing instead to traverse the globe as a formost boy on the ship Hindoo. In 1858, he left his seafaring ways behind, taking a job as a typesetter for the (then new) San Francisco Times.

His career in journalism flourished, and provided opportunities to share his opinions and observations with a public audience. Those ideas, informed by his reading of works by economists including Adam Smith and David Ricardo, as well as philosophers Herbert Spencer and John Stuart Mill, were largely focused on the rapid development he was witnessing firsthand in the American West. While some individuals amassed the beginnings of great wealth, others floundered - a duality which fascinated and inspired George.

It was this contrast between the "House of Have and the House of Want" that inspired his most famous work, Progress and Poverty, which was published in 1879. In it, and other works, George argued that much of the wealth generated through technological advances is unjustly captured as rent by land owners and monopolists, rather than made available to better the lot of all workers and further fuel economic development. Restriction of access to natural resources and unjust taxes on labor, he argued, are the root causes of poverty.

Unlike so many others, George rejected the idea that poverty was the unavoidable byproduct of increased economic sophistication, and promoted policies, including the implementation of land value tax, as a way to ensure that all people would reap the rewards of societal advancement.

George's provocative, well-argued ideas, coupled with his magnetic public persona, fueled his rise to fame. Once as renowned as contemporaries Thomas Edison and Mark Twain, George entered the political sphere, making an ultimately unsuccessful bid to become Mayor of New York City.

Although Henry George is no longer a household name, his policy prescriptions have been implemented, to great effect, in localities all over the world, including Australia, Canada, and areas of the United States.

Today, Americans find ourselves inundated by accounts of the almost unimaginable luxury enjoyed by the 1%, juxtaposed against stories of otherwise average diabetics dying after rationing unaffordable insulin. We struggle to satisfy the demands of an overbearing and opaque tax system. We watch as our government and China impose economy-dampening tariffs tit for tat...

At RSF, we understand that Henry George's teachings are as relevant today as they were in his lifetime, arguably even more so.

Remember: "There is danger in reckless change, but greater danger in blind conservatism."

MEN LIKE HENRY GEORGE ARE RARE UNFORTUNATELY. ONE CANNOT IMAGINE A MORE BEAUTIFUL COMBINATION OF INTELLECTUAL KEENESS, ARTISTIC FORM AND FERVENT LOVE OF JUSTICE. EVERY LINE IS WRITTEN AS IF FOR OUR GENERATION. THE SPREADING OF THESE WORKS IS A REALLY DESERVING CAUSE, FOR OUR GENERATION ESPECIALLY HAS MANY AND IMPORTANT THINGS TO LEARN FROM HENRY GEORGE.

- ALBERT EINSTEIN
RSF'S NEXT CHAPTER

BY JOSIE FAASS, EXECUTIVE DIRECTOR

With new leadership come new ideas and directions, and together with the Board of Directors, I’ve spent the first few months of my tenure as Executive Director identifying our priority areas and activities for the next three years. Some are brand new, others are an extension of efforts begun long ago, but all represent a continued commitment to creating a world of liberty and equality of opportunity arising from economic, social, and environmental justice.

Those familiar with RSF know that we’ve been involved in publishing and book distribution for a long time. In the next few years we’ll focus on supporting the creation of even more scholarly and popular content, digitizing our existing collections into a free online database, and converting all of our titles to e-book and print on demand formats for ease of distribution.

Another major area of activity in RSF’s future will be outreach – outreach to outreach to the Georgist community and to those who don’t (yet) consider themselves Georgist, but who share our ideals, priorities, and the belief that everyone will benefit from the implementation of more sound tax and trade policies at the local, national, and global levels. Key to our success in these efforts will be the formation of partnerships with like-minded organizations and individuals who can help us amplify and propagate our ideas into new spheres of influence, and we look forward to strengthening existing ties, and to creating many new ones. RSF will also be more actively communicating with individuals and groups interested in exploring whether and how the adoption of a land value tax (LVT) might benefit their communities. We recognize that access to expert analytical resources and individuals able to answer location-specific questions can mean the difference between sticking with a familiar (albeit potentially inferior) approach to local taxes and trying a new and better solution.

Education is an area in which the Foundation has long been active, and one on which we will remain focused. By providing support to educators and students of all ages, we will continue to share the wisdom of Henry George and like-minded thinkers.

Finally, and perhaps less visibly to the outside world, we’ll work to optimize our own operations and grow our resources, thereby enhancing our efficiency and impact.

At RSF, we know that once you “see the cat,” you realize “it’s all cat,” and are committed to facilitating this fundamental shift in the way people view the world and our place in it.

Land Value Tax (LVT): a tax imposed on land as a way of recapturing the portion of its value that results from the community-generated amenities to which it gives its owners unique access. LVT can discourage land speculation and sprawl, and create a stable, progressive local revenue stream without discouraging private investment.

Directors' Perspectives
WHERE RSF’S BOARD OF DIRECTORS EXPLORES CURRENT APPLICATIONS AND IMPLICATIONS OF HENRY GEORGE’S TEACHINGS.

THE HENRY GEORGE THEOREM

BY NIC TIDEMAN

“The Henry George Theorem” is the name that economists have given to the postulate that, under certain circumstances, a public service will increase land rent[1] enough that, if the increase in land rent is collected as public revenue, this revenue will suffice to pay for the service. This idea is important because it maintains that public services can be financed not by sales taxes, income taxes or other taxes that burden the economy, but simply by collecting the increase in land rents that result from the public services provided.

The main premise of the Henry George Theorem is simple. For many public services, such as parks and libraries, their benefit is greater to the people who are closer to the place where the service itself is provided. Therefore, people bid up the rental value of land that is closer to provision of such desirable services. If all of the benefits from proximity to a new public service are reflected in increased rents, and if the service is worth at least as much as it costs to provide, then public collection of the increase in rents will suffice to pay for the service. (Cont’d pg. 4)

SEGREGATION

BY RICH NYMOEN

My kids recently started back to their high school, as did millions of other kids across the country. I’m fortunate that they attend public school in a district that is academically strong and fairly well integrated along racial lines.

That’s unfortunately increasingly rare these days and it is due in large part to the country’s segregated housing patterns.

(A) GROUP OF INFLUENTIAL REFORMERS THAT INCLUDED ALBERT EINSTEIN, HELEN KELLER, LEO TOLSTOY, AND EMMA LAZARUS WERE PUSHING A REFORM THAT WOULD HAVE HELPED...

If you start learning about housing segregation—meaning the patterns in which whites predominantly live in areas apart from areas in which people of color predominantly live—and how it developed, you learn that concern with “property values” played a big part. It drove both individual and institutional behavior by having what experts call “push and pull” effects. Push refers to the reasons whites leave integrating neighborhoods and pull refers to the reasons why whites... (Cont’d pg. 4)
A GREEN TAX SHIFT
BY FRED FOLDVARY

The most effective way to reduce climate change is with a “green tax shift” which replaces taxes on wages, goods, and enterprise with levies on pollution and land values.

There are three basic ways to reduce polluting emissions: regulations, permit trading, and levies on pollution.

Most governments have responded to polluters and pollution production with command-and-control regulations. They are called “command and control” because these laws command businesses and households to do something, such as getting a smog test or adding chemicals to gasoline. The problem with this kind of regulation is that it presumes too much about the knowledge and wisdom of central planners, and it ignores the costs to those affected.

Permit trading allows polluters to obtain permits to pollute, but these permits can be bought and sold in financial markets. This approach enables firms adjust their behaviors to respond to the price of getting additional permits, but the gains in permit value go to the permit holders, and in many cases, firms do not reduce their pollution output if they can get credit for owning undeveloped land. Permit markets are also subject to financial manipulation, such as with derivatives that invite speculation.

The most efficient and... (Cont’d pg. 5)

Featured Projects
RSF conducts and supports work in communities, education, outreach, and publishing.

2019 NATIONAL CONFERENCE OF STATE LEGISLATURES
NASHVILLE, TN

In partnership with the Center for the Study of Economics and the Public Revenue Education Council, RSF attended the 2019 NCSL in Nashville, TN, to talk LVT with conference attendees, including state-level elected officials, staffers, lobbyists, and practitioners.

The team interacted with a record number of conference attendees, many of whom were struggling with tax-related challenges and were interested to learn how the tax solutions we described could help their jurisdictions.

LAND VALUE TAX ANALYSIS: SIMULATING THE EFFECTS IN MULTNOMAH COUNTY
BY NORTHWEST ECONOMIC RESEARCH CENTER

Prior measures to limit property tax growth in Oregon have created inequitable tax burdens. Recognizing that adoption of a land value tax (LVT) might bring some relief to lower income residents while encouraging desired infill development, RSF funded the Northwest Economic Research Center (NERC) to simulate the localized economic impacts of implementing LVT.

NERC’s findings supported the conclusion that implementation of LVT within the study area could be expected to produce significant, positive effects - a finding with potentially significant implications for one of the most costly housing markets in the country. To access NERC’s full report, visit: https://schalkenbach.org/community-resources/
The Henry George Theorem (Cont’d from pg. 2)

This kind of assumption is attractive to economists who want to reach purely mathematical conclusions, but, practically applied, it is not realistic. If instead one makes the realistic assumption that people differ in their incomes and tastes, and that, for each type of land, the ratio of benefit from the service to acres occupied varies among persons, then it is no longer possible to reach the conclusion that the full benefit from the service will be reflected in increases in land rents. Still, the more uniform the ratio of benefit to amount of land occupied at any given distance, the more fully the benefit of a public service will be reflected in increased land rent.

In some cases, increases in the rental value of land will be more than enough to pay for a public service, even though the service has costs that are greater than its benefits. This can happen if the service has negative consequences that are not charged to its account. Two examples are given here.

First, consider the building of a new subway line. Land rents in the vicinity of the subway stops will rise greatly. But to take efficient advantage of the subway stops, it will be necessary to tear down existing structures and replace them with taller ones. The coming of the subway line turns the existing structures into trash. A proper accounting of the costs and benefits of the subway line would include a charge for the reduction in the value of the structures. If this loss of value is not charged to the subway line, then it would be possible for the benefits to be greater than the calculated costs, even though the benefits were actually less than the full social cost. Any change in public services can be expected to change the value of fixed improvements, and, to the extent that the existing improvements were appropriate for the site, a change in public services will generally reduce the value of the improvements.

Second, consider public parking lots opened in a neighborhood with narrow streets, old apartment buildings, and a previous severe shortage of parking. The neighborhood was previously well suited to people who did not own cars, but the public parking lots make it attractive to people who own cars. Rents rise, and the people who do not own cars can no longer afford to live there. If these people were perfectly mobile, so that they could move at zero cost to some other place that provided the same level of satisfaction for them, then the need for them to move would not be economically consequential. However, in the more realistic case, in which those who move are worse off for the combination of moving costs and higher rents that are not quite high enough to make it worth moving, these “gentrification costs” are part of the cost of opening the parking lots. If these costs are not included in the calculation of the costs and benefits of the parking lot, then it would be possible for the increase in land rents to be greater than the calculated cost of the parking lots, even though that increase in land rents was less than the full social cost of the parking lots.

To summarize, the benefits from public services tend to be reflected in increased land rents in the areas where the services are accessible. Under certain conditions, the benefits from public services will exactly equal the increase in land rents. For this equality to occur, the benefits must be received only by those in a limited area, rents must be determined by a free market process, and all persons in the affected area must have the same ratio of benefits to acres occupied, at any given distance from the service. When people differ in their incomes and tastes, some small fraction of benefits will not be reflected in increased land rents.

It is also possible for the financial cost of a public service to be less than the resulting increase in land rents— even though the service is not worthwhile, if the public service has negative consequences that are not charged to its account. Two costs that must be included in a full cost accounting for a public service are the resulting reduction in the value of fixed improvements and the dislocation costs for people who have lived in the area and do not value the public service as highly as it is valued by newcomers. When these costs are charged to the account of a public service that has benefits within a limited radius, a comparison of the increase in rent, with the combination of the ordinary costs of the service and these external costs provides a good test of whether the services are worthwhile.

[1] Rent, as I use the term in this blog post, is a payment for the use of land or some other natural opportunity. When money is paid for the use of a building, the land rent is the part of that payment that is attributable to the land under the building. Because the best use of land often involves constructing buildings that last a long time, the meaning of the rent of land under an existing building is not obvious. The conceptual resolution of this difficulty is that the rental value of a plot of land for the coming year is how much more valuable it would be to have the use of the plot of land, beginning with vacant land, into the indefinite future beginning now, than it would be to have the use of the plot of land, beginning with vacant land, into the indefinite future beginning one year from now.

Segregation (Cont’d from pg. 2)

leave integrating neighborhoods and pull refers to the reasons why whites are attracted to non-integrated neighborhoods.

The push effect for individuals refers to the behavior of whites leaving neighborhoods that are integrating because they fear property values would drop, leaving them owing more on their mortgage than the property is worth. For institutions, it refers to insurance and lending industries refusing to insure and lend against properties in integrating neighborhoods for fear of drops in the property values of their collateral. Of course, these are... (Cont’d pg. 5)
Segregation (Cont’d from pg. 4)

racist and irrational fears because property values actually increase when neighborhoods integrate, but the fears exist nonetheless.

The pull effect refers to the attraction of buying into areas that have increasing property values because it would result in growing home equity even without having to pay down what was owed on a mortgage. There were other factors as well, but this dynamic around property values played and still plays a major role in housing segregation and the major implications that segregation has for schooling, jobs, and other opportunities.

I first started learning about this when I was in law school and it motivated me to work on housing issues both in my first job with the Saint Paul Human Rights Department and through volunteer work with community organizations. But eventually I learned that what people refer to as property values are actually land values. Real property is made up of two parts: building value, which is made up of the labor and material costs that don’t fluctuate very much, and the underlying land value, which is created by what is happening in the surrounding community and which can fluctuate a lot.

I learned that back when these housing patterns were developing in the early twentieth century, a group of influential reformers that included Albert Einstein, Helen Keller, Leo Tolstoy, and Emma Lazarus were pushing a reform that would have helped: they proposed what was essentially a land trust arrangement in which, instead of paying taxes, homeowners paid community rent for the land under their homes while still having title to the house on top of the land.

Under the reform, the homeowner would have to borrow only for the house and not for the underlying land. When it comes to housing segregation, this would have solved a lot of problems. It would have reduced the pull effects because there would have been no loan on the part of the home that fluctuates greatly in value, and if the land value by chance did go down, it would just mean the homeowner paid less in land rent. It would have reduced the pull effects because buying into areas of increasing value would have meant that homeowners would pay increasing land rent and the only way to increase home equity would have been to pay down the loan on the structure.

Unfortunately, the reform never caught on and devastating results from housing segregation occurred both for individuals in terms of reduced opportunities and for whole cities like Detroit that collapsed under the strains. But we can learn from history and work on increasing the use of land trust arrangements in housing. Then “property values” won’t be such a concern, and segregation in housing—and in our schools—may become a thing of the past.

A Green Tax Shift (Cont’d from pg. 3)

 equitable way to limit pollution output is through taxes or fees on pollution production and other environmental destruction, based on an assessment of the damage it causes. Firms can then respond in their most effective ways, such as by capturing the emissions, or changing production methods, or stopping harmful practices.

A “green tax” (also called an environmental or ecological tax) is a levy on activities which damage the environment. One type of green tax is a “carbon tax” which is levied either on inputs such as gasoline or outputs such as the emissions. The most effective carbon tax is directly on the carbon emission, since this provides an incentive to reduce or capture the carbon. When the tax is on gasoline, it does reduce the use of gasoline but provides no incentive to capture the carbon.

Most auto emissions come from the dirtiest 10 percent of vehicles. Over 50 percent of on-road carbon monoxide comes from just five percent of the cars. The same is true of hydrocarbon emissions. In each case, the cleanest 90 percent of cars taken together generate less than 15 percent of the pollution. Emission reduction regulations should be chiefly aimed at the gross polluters rather than imposing regulatory costs on all cars and driving.

The measurement of vehicle emissions can be done with remote-sensing technology, such as the Stedman device, which works as follows: An infrared beam is shone across the road. As a car passes along the road, the exhaust plume absorbs some of the light waves of the beam. The sensor receiving the beam can infer the pollutant concentrations in the exhaust. Low-cost remote sensing can be combined with video and computer equipment that automatically read the license plate of the passing vehicle. Remote sensing devices can be placed at intersections and freeway on ramps. These measure various pollutants in the exhaust when cars pass by, and then photograph the license plates of polluters when they are above a certain threshold. We can thus significantly reduce air pollution at a low cost to the public.

There can be green taxes on all toxic emissions, not just carbon but from all sources of pollution: factories, power plants, buildings, and vehicles. Rather than command particular outcomes, policy can induce the outcomes at lower cost and within the market.

A complete green tax shift would not just replace economy-hampering taxes with environmental levies, but would eliminate the waste that our current tax system imposes. Taxes on wages and goods impose a “deadweight loss,” meaning a loss of benefits without any offsetting gains. The main economic cost of taxation is not the tax payments, since that is a transfer of resources rather than a cost to the economy. The economic cost is unseen but actual: the reduction of output and consumption because of the tax, and the reduction of benefits due to paying more for the goods.

The deadweight loss, also referred to as the excess burden of taxation, is economic waste, while a waste of resources is environmental destruction to no (Cont’d pg. 6)
There is no deadweight loss from a tax on land value because the supply of land is fixed. Land rent is an economic surplus which can be taxed without any bad effects. Taxes on wages reduce labor, and taxes on goods reduce goods, but land does not flee, shrink, or hide when taxed.

Many environmentalists do promote a green tax shift. Their slogan is “tax bads, not goods.” With land-value taxation, the ‘bad’ is the subsidy that real estate owners receive from the higher rent they receive due to the government’s public goods, double billing worker-tenants who pay both higher rent and taxes on their income and spending.

A green tax shift is win-win, because it reduces environmental destruction while improving the economy. Some opponents of policies to limit the production of pollutants that contribute to or cause climate change say that the economic cost would be too high. Indeed there is an economic cost to regulations. But with a green tax shift, in the long run we can have a reduction in pollution and environmental degradation with no negative effect on the economy, because we are replacing market-inhibiting taxes with market-enhancing payments.

Some leaders in developing economies also say that they should not bear the cost to effect a reduction in global warming until their economies become more developed and wealthier. But all developing countries are imposing market-hampering taxes: on value added, on wages, on goods, on trade and enterprise. Developing countries too can implement a green tax shift and have even higher growth together with environmental protection.

Taxing pollution production is the morally right thing to do and is really the only effective way to swiftly reduce pollution in a big way. It’s good for developed countries as well as for developing countries such as India and China. The green tax shift would help all economies.

We can have it all: a better environment and a better economy. If we don’t do a green tax shift, if instead we continue to regulate using permit trading, we will not eliminate the excess burden, but rather increase the costs of enterprise, which will create political resistance, and pollution will get worse and worse until it ruins our planet.

Tell your representatives and candidates for office that we need the green tax shift, now!