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.

It is quite true that unearned increments in land are not the only form of unearned or undeserved profit which individuals are able to secure; but it is the principal form of unearned increment which is derived from processes which are not merely not beneficial, but which are positively detrimental to the general public.

- Winston Churchill

**Uneearned Increment (noun):**

an increase in the value of property or land through no effort of the owner
NEW UNDERTAKINGS, NEW STAFF
BY JOSIE FAASS, EXECUTIVE DIRECTOR

It’s a new year, and there are new things in the works at RSF! More specifically, we’ve welcomed some new faces to our team - which in my opinion, is the best way possible to be starting off this new year and new decade.

Much of what we focus on has an important spatial component. Land Value Tax (LVT), for example, is all about identifying the portion of land’s value that originates, not from the actions or investments of the owners, but from the publicly-provided benefits (like schools, safety, and infrastructure) its owners enjoy as a result of their exclusive access to said land. Recapturing that unearned increment and using it to fund the very public goods that create that enhanced value generates stable public revenues and deters both urban sprawl and land speculation, while helping to ensure land is put to its highest and best use.

We believe that LVT is an all around winning proposition, and clearly, the physical nature of land is a core element. But of course, LVT represents a departure from the status quo - a reshuffling of tax burdens, with some land uses and owners seeing lower tax bills as a result and others seeing increases. Since our efforts through the Center for Property Tax Reform are all about working with communities - full of real neighborhoods, people, and businesses - the importance of correctly identifying these “winners” and “losers” cannot be overstated.

Recognizing the truth in the old adage “a picture is worth a thousand words, RSF has hired Kevin Frech as an intern from Temple University’s Geographic Information Systems (GIS) program to serve as our Full-Stack Geospatial Analyst. In this role, Kevin will do the preliminary work to create an online mapping interface, which will give users the ability to manipulate tax rates (ranging from current scenarios to full LVT with two-rate options in between) to see exactly how tax burdens fall across parcels under the various scenarios. This is a complex undertaking, but ultimately we expect it to yield a tool suitable for inclusion on the RSF and CPTR websites, and a way to explain the concept with clarity when talking with curious, or even skeptical, local officials or community group representatives about what would really happen if their city or town embraced LVT.

As we embrace the new year and forward-looking projects, we are also focused on leveraging the Foundation’s past work. Making sure that RSF’s roughly 100 years worth of documents and other materials are properly cataloged and easily accessible is key to enabling everything we’ll do this year, and in all the years to come. To this end, RSF is pleased to welcome Sanjida Sadeque to the staff as our new Office Organizer.

Sanjida comes to us with a background in chemistry and plans to study information sciences, and will be working in our Manhattan office for the next few months under the direction of our Operations and Finance Manager Gail Lambert.

As I’ve said before, RSF is small but mighty. Even with these new (temporary) additions, you can still count our staff on one hand, but that doesn’t slow us down!

Calling All Authors!

Want to write a piece examining a current issue through a Georgist lens? Great! We’d love to publish your work on our website and in this newsletter.

Who: Anyone who can write critically about today’s world in a way that reflects the ideas of Henry George.

What: Blog posts for our website and this newsletter.

When: Anytime and all the time - we’re always looking for authors.

Where: Check out “Blog Author Information” on our website for full details.
The many organizations around the world that work to popularize the work of nineteenth-century American economist Henry George have three goals: a just society, a green society, and a prosperous society. Collectively, these organizations constitute an interconnected think tank advocating financing governments by collecting “economic rent” in lieu of taxes on jobs, business and goods, and services.

Economic rent refers to revenue without a corresponding cost of production, such as the societal surplus, or superprofits, that flow to monopoly-held assets like land, resources (oil, copper, trees, water, etc.), the privilege to pollute, the electromagnetic spectrum, (includes all radio waves e.g., commercial radio and television, microwaves, radar), agricultural supply management quotas, drug patents, taxi medallions, et cetera.

Though this wealth rightfully belongs to the community, it presently flows mostly untaxed to private asset owners, forcing governments to finance programs by employing economy-damaging taxes on profits, incomes, and sales.

This economic theory, often called land value taxation (LVT), is supported by classical economists Adam Smith, David Ricardo, John Stuart Mill, and Henry George, by prominent people like Winston Churchill, Dr. Sun Yet-Sen, Mark Twain, and George Monbiot, and by modern economists Joseph Stiglitz, Milton Friedman, Michael Hudson, and Herman Daly.

In his seminal book, Progress and Poverty (1879), Henry George builds on the work of Adam Smith, David Ricardo, and John Stuart Mill, enumerating the multiple benefits to the economy and society when governments are financed by capturing economic rent.

Taxing incomes makes people more expensive to... (cont’d on pg. 5)

**SOLVING THE "AFFORDABLE HOUSING" PROBLEM WITH LAND VALUE TAXES**

**BY MATT LEICHTER**

“But then all real estate would go to its highest and best use,” the man complained.

“Yes! Yes!” I replied. “That’s the point. That’s good.”

The man was trying very hard to understand my position but seemed baffled, and I had no good response beyond muttering something about wasteful downtown surface parking lots.

“But then everything will go condo, and where will all the poor people go?” he asked.

When explaining the advantages of land value taxation, proponents encounter a familiar set of counterarguments such as:

- How can the system be affordable for land rich but cash poor citizens?
- What will happen to the farmers who really work the land?
- Aren’t accurate assessments impossible? (con’t on pg. 6)

**HG Trivia**

Contemporary accounts state that 100,000 mourners squeezed inside Grand Central Palace for George’s memorial, while another 100,000 stood outside for lack of space.
Drake's P&P, an RSF bestseller, will be among the first titles to be fully digitized.

Income wage earners, despite the progressive graduated income-tax rates. One third of all taxes is paid to state and local governments, and sales taxes are especially regressive, taxing the poor proportionately higher. Lower-income families also pay substantial amounts of payroll taxes.

Saez and Zucman helped to craft presidential candidate Elizabeth Warren’s proposed tax on wealth. They argue that tax flight and avoidance can be dealt with by taxing companies headquartered in the United States on their less-taxed income abroad. The United States could also tax foreign companies’ sales in the United States. But such analysis overlooks the theory of optimal public finance. One foundation of economic analysis is the “law of demand.” Higher costs and lower gains reduce the quantities... (cont’d on pg. 7)

Senator and 2020 Presidential hopeful, Elizabeth Warren
What’s so special about Henry George anyway? (cont’d from pg. 3)

hire, taxing capital increases the cost of borrowing, taxing profits pushes marginal enterprises closer to bankruptcy, and taxing consumption raises prices. Economists refer to these taxes as dead weight taxes, because they stifle economic vitality and exacerbate unemployment and poverty.

Alternately, funding government programs by capturing the community-generated, “unearned income” (that accrues to desirable finite assets) increases economic efficiency, reduces poverty and unemployment, checks suburban sprawl, conserves resources, and minimizes pollution.

Under LVT, there are no income, business, or goods-and-services taxes, and no taxes on buildings or improvements.

Economic rent capture scenarios

(Under LVT, there are no income, business, or goods-and-services taxes, and no taxes on buildings or improvements.)

- A residential property is valued at $400,000. The lot and the house are each valued at $200,000. LVT ignores buildings but charges the rental value of the lot, about 5 percent of market value. The owner must remit $10,000 per year to the municipality.

- A business is situated on 2 acres of land, the parcel market value at $500,000. The owner pays the rental value (5 percent) or $25,000 in LVT, but no other taxes.

- An employee’s gross income is lower after LVT, but the net income is the same since no income taxes are deducted.

- A low income senior cannot afford the LVT so a reverse mortgage is negotiated to defer the LVT until time of sale.

- A student finds inexpensive rental accommodation in a multiunit building since the building is sited on a small lot and the landlord pays no tax on the value of the building.

- A farmer pays the rental value on a 100 acres valued at $1,000,000 or $50,000 per annum, but pays no income taxes or tax on equipment or buildings (improvements), allowing the farmer to hire employees, and build farm labor accommodation, pre- and post-harvest infrastructure, and farm-gate sales facilities, without additional taxes.

With communism, socialism, and Marxism now abandoned in favor of market economics, with interventionist Keynesianism discredited as a long term solution, and with trickle-down economics mocked as a cynical justification for unconscionable wealth disparity, governments now have the opportunity to return to what Fred Foldvary calls “foundational economics,” to quash the damaging speculative economy and allow a purely entrepreneurial economy to flourish.
Solving the "Affordable Housing" Problem with Land Value Tax (cont’d from pg. 3)

The exchange recounted above highlights the difficulties in trying to explain the idea to someone who thoroughly understands what land value taxes could achieve but rejects them nonetheless on other grounds. Reflecting on it, I see where my friend was coming from: Land value taxation should, in theory, raise total wages and greatly increase the housing supply; but people should be mobile too, even including nonresidents who come in to elbow out poorer ones for the benefits the system provides. In Minneapolis where I live, we have seen significant growth in high-end housing in recent years but very little for the poor.

So what can a local government do to ensure that land value taxes help the people who need help the most, rather than high-income newcomers? I propose two answers:

- Inclusionary zoning; and
- Modular construction

Inclusionary Zoning

Inclusionary zoning, also called “housing mandates,” requires developers of new properties to set aside a certain number of units for low-income tenants. These tenants would need to submit documentation to qualify for the units. In a post I wrote for the Robert Schalkenbach Foundation’s blog I endorsed a recommendation for improving inclusionary zoning by requiring tenants to renew their qualifications on a periodic basis. That way, the units would turn over more frequently and that would ensure that low-income tenants had opportunities to live in them.

A problem with inclusionary zoning is that developers tend to dislike it because it forces them to sell their construction to landlords for less than the market would normally allow. An article on Minnesota Public Radio’s website lists some examples of how developers push back against inclusionary zoning:

- Developers will shift their focus to updating older housing that they can sell at market rates, and
- They will instead focus on the suburbs, which place fewer restrictions on development.

Modular Construction

If, as developers say, construction costs ruin the viability of inclusionary zoning, they could embrace an obvious alternative: reducing costs by shifting to modular-housing technology.

The concept of assembly-line homes is not new, but it lacks substantial backing in the United States. Investors appear to be changing their minds, however. Thanks to housing demand and a shortage of construction workers, times are changing, and the scale is achievable. One Minnesota housing company cranks out complete houses in just ten days. Its factory floor is the size of two football fields, and employees work on several homes at once, installing even pipes and wires as they go.

The savings in the cost of this construction as compared to that of ordinary on-site construction are significant, up to 40 percent per project. These kinds of savings are extraordinary when apartment buildings can cost more than $10 million. Undoubtedly, then, it should be very easy to build more affordable homes for lower income residents with cheaper construction costs.

Market Forces Alone May Not Be Enough

Policies designed to alleviate poverty always seem to have self-defeating consequences, even when they rely on market forces. This is because access to the market is the problem in the first place. A strong example of this is relaxing zoning regulations, or “upzoning.” Upzoning should enable developers to build towering, affordable apartment buildings. In at least one example, though, it just increased property values and didn’t affect supply at all. Nor does upzoning solve the migration problem outlined above.

In the case of applying land value taxation locally in the United States, high mobility amplifies these kinds of consequences, and the beneficiaries may be the people who need help the least, since wealthier families tend to be more mobile than the less well-to-do. Rather than letting land value taxes become the victims of their own success, governments can use inclusionary zoning and promote modular construction to shield the indigenous poor. These policies can work together to keep poorer residents in their communities and prevent high-income workers from moving into the condos developers would otherwise gladly build for them.

There are no good arguments against land value taxes because they drain monopoly incomes and raise productive activity. However, advancing them requires winning over social-justice advocates who prioritize keeping the poor near urban centers. Coupling land value taxes with inclusionary zoning and modular construction can win over that constituency.

What Do You Know About Taxes? Wrong! (cont’d from pg. 4)

of goods produced and bought. The three ways that quantities are reduced: the taxed items can shrink, hide, or flee.

A global approach to taxation, taxing everything that moves, world-wide, will indeed reduce flight. But the other two means of quantity reduction still occur. Production and employment will lessen, as the higher-cost enterprises shut down. And economic activity will hide, will go underground, as indeed already happens throughout much of the world. Moreover, if the US government taxes everything related to the USA, there will be a high demand for tax havens. Companies and their jobs will flee, and their sales to the USA will shrink or hide. High taxes reduce entrepreneurship and they reduce honesty, as tax cheaters gain and honest payers lose.

In his book review, Gale writes that Saez and Zucman “challenge seemingly every fundamental element of conventional tax policy analysis.” Yes, they do calculate taxes in ways different from mainstream and official methods, but they do not challenge the law of demand.
Therefore the analysis of Saez and Zucman is not radical, in the sense of going to the root of the economic, ethical, and governance aspects of taxation. The principle of optimal public finance policy was set forth by Frank Ramsey, and is named the Ramsey Rule: tax first the items that are the least elastic in supply or demand. Thus, tax first the items which do not flee, shrink, or flee at all.

One item with an inelastic demand that is urgently needed is life-saving medicine, and it would be immoral to tax-punish sick people facing death. The moral alternative is thus on the supply side. The American economist Henry George identified the supply which could be taxed without economic damage: land value or land rent. Tax land, and it will not flee. Land also does not shrink when taxed.

What about the problem of justice? Much of the value of land comes from the public goods provided by government, paid for with taxes on goods and labor. Worker-tenants get double billed, paying both taxes and higher rent, while landowners get the subsidy of higher property value. How is this just? The remedy is to not tax labor and instead to only tax land.

And land cannot hide. The landowner can hide the title, but that does not matter. The tax bill is sent to whomever possesses the title. The landowner also cannot hide the amount of land value, as its market value is not dependent on his private calculation but is calculated by professional real estate assessors and appraisers.

So a tax on land value cannot be dodged, and that solves one of the problems raised by Saez and Zucman. What about the problem of inequality? Most of the land value is owned by the rich, including corporate land owned by shareholders. The ownership of real estate is highly correlated with wealth and income.

How much revenue could a land-value tax obtain? A good indicator is by comparison with Australia. There, the calculation is that land rent is one-third of national income. (See The Taxable Capacity of Australian Land and Resources by Terry Dwyer.) With ten times the population density, land rent should be at least that portion in the USA, or about $7 trillion per year. And if other taxes are eliminated, the rent would increase much more. How much? Nobody knows, but economist Mason Gaffney has shown that there would be a "quantum leap" of greater production and therefore that much more land rent.

So, is everything you knew about taxes wrong? That seems to apply to economists who fail to take economic logic to its ultimate public-finance Ramsey-George conclusion: don’t tax anything that moves. Tax what cannot flee, shrink, or hide, namely, land.