

JULY 2020, VOL. 10

# RSF DIGEST

NEWSLETTER OF THE ROBERT SCHALKENBACH FOUNDATION



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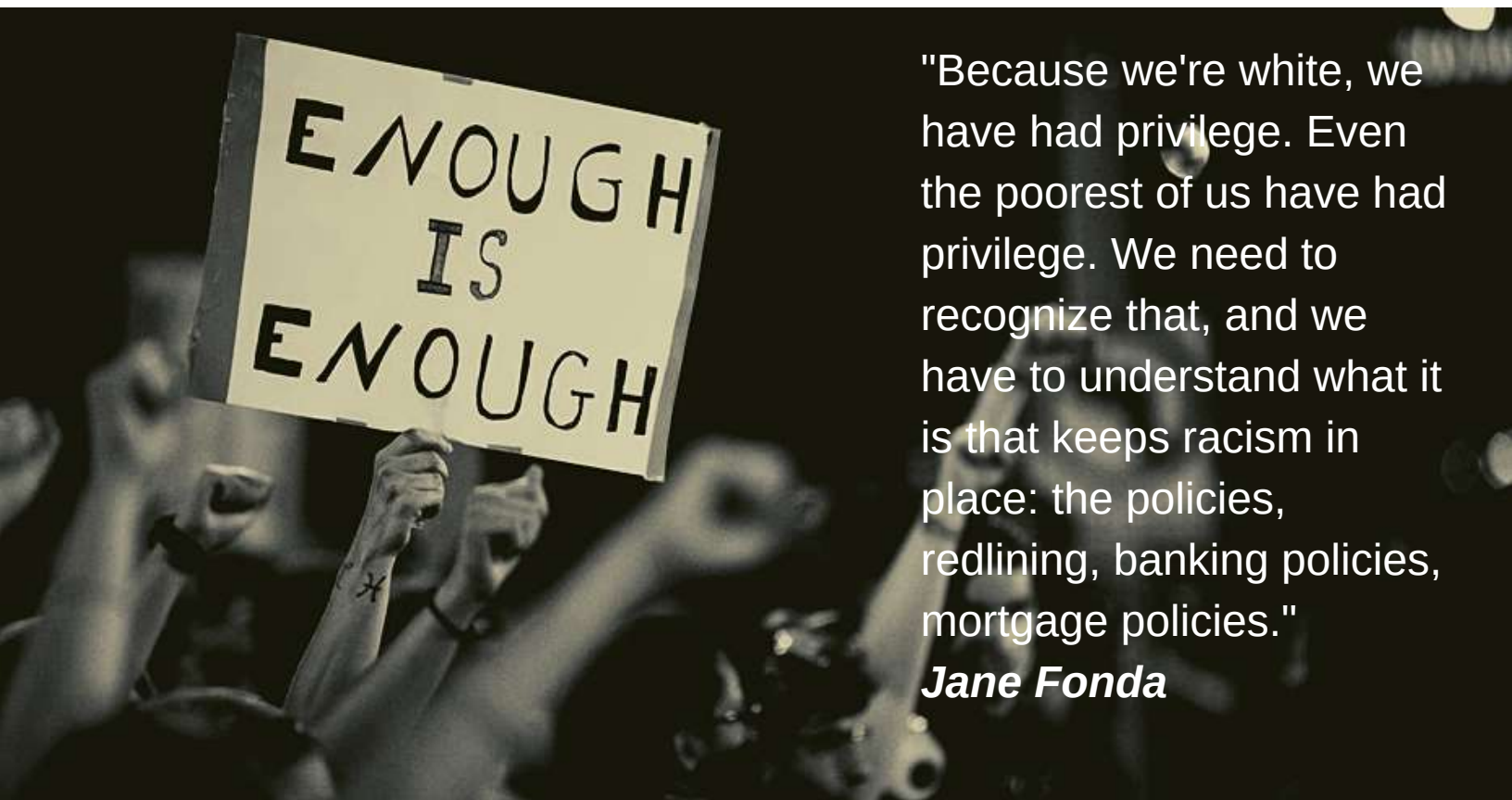
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The Robert Schalkenbach Foundation (RSF) is a private operating foundation, founded in 1925, to promote public awareness of the social philosophy and economic reforms advocated by famed 19th century thinker and activist, Henry George.

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.



"Because we're white, we have had privilege. Even the poorest of us have had privilege. We need to recognize that, and we have to understand what it is that keeps racism in place: the policies, redlining, banking policies, mortgage policies."

***Jane Fonda***

## Social justice:

(noun) is a concept of fair and just relations between the individual and society, as measured by the distribution of wealth, opportunities for personal activity, and social privileges.

# CREATING AND SUSTAINING CHANGE

BY JOSIE FAASS, EXECUTIVE DIRECTOR

As has been the case for the last several months, it's a challenge to write a monthly update – the world is moving so fast, it feels like anything committed to paper is immediately outdated. As if a global pandemic and large-scale social unrest aren't exciting enough, RSF is in a period of rapid change too. Let me start with that.

The big news, at least from the perspective of the RSF staff, is that we've moved our office! For the first time since its founding in 1925, the Robert Schalkenbach Foundation now resides outside of Manhattan, in Princeton, New Jersey, to be exact. The move, which has been in the works for months (and stalled temporarily by COVID-19), is a welcome change, and it will benefit RSF operationally and financially.

Personally, I'm most excited that it will enable me to work side-by-side with Josh Vincent (Executive Director of the Center for the Study of Economics) on a daily basis. He will be joining us in Princeton to continue spearheading the efforts of the Center for Property Tax Reform.

RSF also recently bid goodbye to four wonderful Board Members: Ed Miller, Gregg Erickson, Ted Gwartney, and Wendell Fitzgerald. All of these individuals have been highly engaged in the Foundation's management and operations, and all will be sorely missed by their fellow Board Members and RSF staff. But, we are honored to welcome an amazing new cohort of Directors: Christopher England, Jeremy Lucas, Mark Mollineaux, Matthew Downhour, and Steve Sklar. Each brings with them a wealth of experience, a deep commitment to economic and social equity, and fresh ideas about how best to realize the Foundation's mission.

The Foundation also closed its fiscal year on June 30. We're beginning a new chapter now, which is reason for some forward thinking. Although the outside world may be pretty much impossible to predict, internally we're committed to making FY21 a year of new efforts and continuing commitments. What will we be doing? A lot!



- The GIS tool we're building to explore the implementation of land value tax in U.S. cities is expanding to include new locations, and we'll be creating a user tutorial and begin actively promoting it soon.
- We have two new academic research efforts in the works, so more to come on that soon.
- With the move came the ability to create an onsite library and archive, and those efforts are about to begin.
- A website redesign is underway and will be launched soon as well.
- We're scaling back our focus on book sales and distribution, although our titles will all be available as free PDFs on our website and for sale on Amazon (as print and E-Books).

Of course, none of RSF's work happens in a void. The pandemic surges on as our nation grapples with a period of profound social and political unrest. It is easy to feel helpless amid circumstances as uncertain and all-encompassing as these; but at the Foundation, we are choosing hope. We believe that our mission – to promote the ideas of Henry George, which are fundamentally about equity and justice – has never been more important than it is now.

The year ahead of us offers many opportunities to share that vision with a world that so badly needs it. I hope you'll join us as we continue to push the need for positive change and share our message with others who want to be a part of a solution to the current political, social and economic unrest.

# DIRECTORS' PERSPECTIVES

THE MOST RECENT EXPLORATIONS FROM RSF BOARD MEMBERS ON CURRENT APPLICATIONS AND IMPLICATIONS OF HENRY GEORGE'S TEACHINGS.

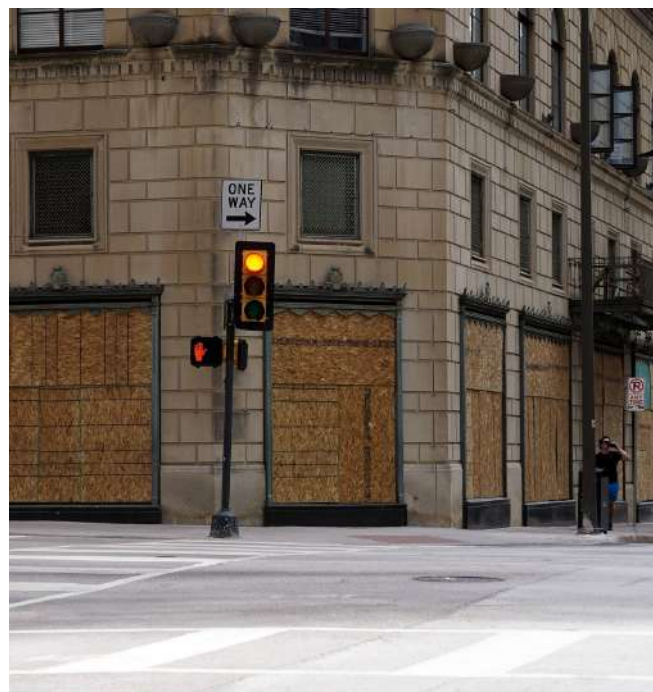
## REBUILDING AFTER RIOTS

BY: MATT LEICHTER

The two weeks after a Minneapolis Police Department officer killed (and three others charged in killing) George Floyd, it feels like the summer of 1914 in fast forward. A single death cascaded into nationwide protests, arson, looting, police attacks on journalists, and then a presidential crackdown on protesters in front of the White House by secret police. In the evenings, my smart phone barked to remind me to return home before the curfew descended on Minneapolis, and helicopters regularly passed over in once quiet skies. As things calmed down, my thoughts turned to the destroyed parts of my city.

The list of damaged locations is long. The Minnehaha Shopping Center, home to a Target and Cub Foods I sometimes shopped at, is gone. Like many Minneapolitans, I now shop in the undamaged suburbs, but I'm privileged: I have a car and I work full-time from home isolated from protests. Many people who've lost their homes or places of employment aren't so lucky, and without access to transportation they cannot buy groceries. Those who need prescription medications will struggle to find nearby pharmacies that are still standing. While the outpouring of charity for them is heartening, it won't last forever. The novel coronavirus further complicates the city's recovery.

Specifically, Minneapolis is uniquely disadvantaged these days because it's a small city with a large hole in its budget due to reduced spending caused by the pandemic. Although Minneapolis is part of one of the largest metro areas in the country, the city itself is rather small with fewer than 450,000 residents. The CARES Act gives aid to municipalities, but it set the population floor for relief at 500,000.



Consequently, according to MinnPost, a bigger city in a smaller metropolitan area like El Paso receives federal aid under the act, but Minneapolis does not. The federal government also does not give aid to cities that suffer from riot damage. Clearly Minneapolis and the rest of the state are on their own, but there are options that only require some creativity. **(cont. page 9)**

## Calling All Authors

**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.

## DIRECTORS' PERSPECTIVES (CONT.)

### HOW TO PROMOTE BOTH GREATER ECONOMIC EQUALITY AND GREATER PROSPERITY

BY: FRED FOLDVARY



Much has been brought to light in recent months about economic and social inequality. How one group prospers while another does not. We can have both greater equality and greater prosperity if we just implement the smartest economic and land taxation policies available to us.

Economic inequality is a social and an economic problem. There are some economists who remain puzzled by the increase in economic inequality since the 1970s. Why has total output increased by a greater proportion than wages? Where is the greater productivity going, if not to wages?

One reason why wages have not risen as much as before is that economies have become more globalized. The greater ability to out-source work has increased the effective labor supply. Another cause is increasing automation and the resultant elimination of jobs (higher-wage jobs, in particular). But the replacement of domestic labor with foreign labor and with machines depends on relative labor and production costs. Governments have imposed higher costs with taxes on the employment of labor, on goods, and on trade. If not for income and sales taxes, there would have been less outsourcing and automation. My previous articles, “Economics for Conservatives” and “Economics for Progressives” address this thought process.

Policy can either only treat the effects of social problems or alternately it can also eliminate the causes of these problems. Calls to reduce

inequality by taxing wealth and high income only treat the symptoms, and have their own negative effects. We should look at the sources of inequality, rather than blindly tax the rich just because they are wealthy.

The two basic, original causes of economic inequality are entrepreneurship and subsidy. (There is also inherited wealth, but we are looking at the original sources of the wealth.) An entrepreneur who starts or improves a business, who provides new and better products, who innovates, is benefiting society, should not be stifled with taxes and arbitrary restrictions. **(cont. page 9)**



### GEORGISM: A TOOL TO CONFRONT ECONOMIC RACISM

BY: MATTHEW DOWNHOUR

Deeply-rooted racial inequalities have once again burst onto center stage of the American consciousness. Like the capture of fugitive slaves in the 19th century, the murder of George Floyd, and many others in recent months, has brought back into attention the deep inequalities that are all too easy for many Americans to ignore. There are myriad ideas for how to move forward and represent the entire spectrum of views on race and policing in the United States. However, one thing almost all agree on is that the deaths of Black people at the hands of police are just one symptom of a far deeper system of inequality.

The unfortunate fact is there is no one cause nor one solution. Racism is complex and multifaceted. It would be a mistake to describe any single reform as an overall solution. Economic measures are not a panacea; improving material circumstances will not cure the racial biases – implicit or explicit.

While they are insufficient, economic solutions are necessary for making progress on racism in the U.S. The material conditions of the Black community reflect and perpetuate centuries of racism, and thus those conditions need to be addressed as part of any effort to root out continued systemic racism. **(cont. page 11)**

# DIRECTORS' PERSPECTIVES (CONT.)

## RESTORATION OF A TWO-PARTY SYSTEM

BY: BILL BATT

The Republican Party as it was once constituted by certain principles and beliefs has ceased to exist. From the time of its founding by Lincoln in 1854, it had always stood for certain principles and beliefs, even when these changed.

The Republican Party was initially the Anti-Slavery and the Reconstruction party. With the election of Ulysses S. Grant, it then turned toward the support of Big Business. The Democrats in response turned to the support of farmers and of labor (which was, at the time, forming itself as a new constituency).

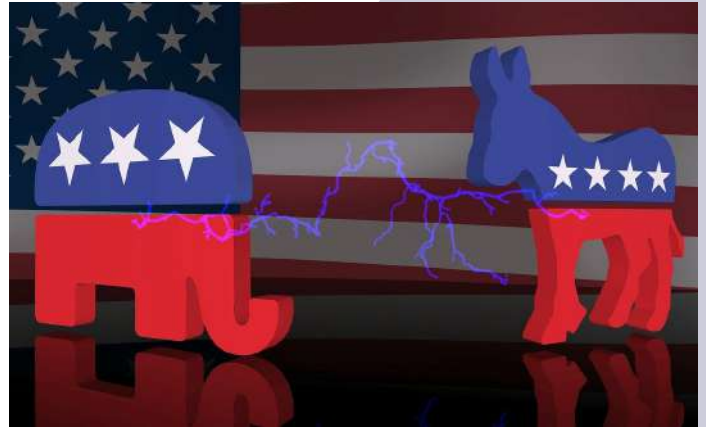
The Republican alliance with Big Business and the Democratic alliance with Labor would last until well after the end of World War II. The Republican shift to movement Conservatism during the Reagan Presidency caused the Democrats to respond by moving to the center of the political spectrum. Both Clinton and Obama represented a kind of moderate thinking that left the declining Labor movement further behind.

One result of this was that the Democrats and the Republicans no longer held strong ideologies. And this also subsequently produced an opening for the election of Trump, who is a demagogue of the first order.

If one looks at political party constituencies from the perspective of their economic conditions, then the history of these conditions offers a very different view. When this nation was first established in 1776, the two parties that would shortly emerge were a yeoman Democratic party best reflected by the thinking of Jefferson and a party of commercial interests best identified with the views of Hamilton. But in looking at economic theory, it was Adam Smith's 1776 Wealth of Nations that best reflected the prevailing paradigm because it identified three factors of production: land, labor and capital. Land and labor, according to Smith, were fundamental, but capital was derivative.

Why then, at the time of the Nation's founding, didn't the nascent party structure coalesce around land and labor as their two primary constituencies and thereby form the basis of national politics? The first question to ask, perhaps, is how sound the land vs. labor distinctions in politics really were.

One might then ask how widely understood was economic theory, and the land vs labor contrast, in public discourse. If economic thought, such as that of Adam Smith, could have framed the basis of political rivalry, our history might have unfolded very differently. This subject needs to be explored. **(cont. page 10)**



## MEDICAL CARE FOR ALL

BY: FRED FOLDVARY

There are three fundamental human rights: 1) the right to do anything that does not coercively harm others; 2) the right to be free from coercive harm; 3) the right to an equal share of the benefits of natural resources. Since medical care is not a natural resource, and since the lack of medical care is not coercive harm, do we not also have a right to receive medical care?

Medical care is a necessity, but so are food and shelter. If medical care is a human right, are not food and shelter also human rights? If so, then who is obligated to provide for and fulfill these rights? If my neighbor is obligated to give me medication, and I am obligated to give my neighbor medication, would it not be simpler for each of us to provide oneself with medications?

The right to do anything that does not coercively harm others includes the right to engage in labor and to keep one's earnings. The monetary benefits of natural resources are measured by the amount of rent users are willing to pay to use these resources. In a just society, a person would be able to obtain income from labor and an equal share of resource rents. With no taxes on goods or trade, the question is, would one's income from labor and rent be sufficient to pay for the necessities of life, namely, food, medical care, and shelter? **(cont. page 13)**

# INFORMED PERSPECTIVES

VIEWS ON OUR WORLD, THROUGH A GEORGIEN LENS

## TAX REFORM

BY : MIKE CURTIS

Racism motivated by exploitation, and perpetuated by the lack of opportunity, created poverty, and took the life George Floyd and many others. Yet there is a cure for the lack of opportunity, poverty, and the racism if engenders.

George Floyd was murdered by a policeman in Minneapolis. He was hand cuffed and held down by two policemen while a third pushed his knee against Floyd's neck cutting off his air until he passed out and died. A forth policeman stood by looking away. All the time cameras rolled and the world saw it replayed on television. From the video, the man who murdered George Floyd appeared to have his hand in his pocket, as though he had no worries, but was patiently waiting over eight minutes for George Floyd to die. I was reminded of the Folsom Prison Blues: "I killed a man just to watch him die". That is what it looked like in the video.

There have been many murders of black people by police in recent decades as shown on TV. There were probably many more black people murdered by police, but the murders could not be proven, there were no videos. Police who are accused of murder have been afforded the privilege of conferring with their colleagues, many of whom have produced a plausible justification. I have not heard of any who were executed or spent the rest of their lives in prison.

### Crime

In the U.S. there are more than 100,000 armed robberies each year — more than 42,000 with guns, and 41,000 with knives. Couple that with 16,000 murders, and it's understandable why governments have very rough and tough people for policemen. Ideally, we would have policemen who are only as violent as they need be in the case of robbers and murderers, and firm when detaining

or arresting unarmed suspects who pose no danger to the police of others.

I suspect, because of the violence that is sometimes required, violent people are attracted to police departments throughout the country. And because of the fact that they rely on each other in very dangerous situations, getting other officers to testify against a Killer Cop who they may need their mutual support in the future makes getting rid of them exceptionally difficult.

### The Roots of Violent Crime

We know statistically, that people who live in more affluent neighborhoods commit far less violent crimes. Serious reflection leads to the realization that poverty: anxiety, depravation, and desperation coupled with the degradation and humiliation of being poor is the very thing that precedes most violent criminal behavior. It is not only want and the fear of want that generates the grasping for wealth, but the humiliation and degradation of poverty that breeds the worship of wealth and the admiration that follows its possession.

The fatalism that risks all and withholds compassion for their victims is the struggle to get as far as possible beyond the necessities of life. It is the same psychology as the Billionaire, obsessed with getting richer while his employees have no healthcare. Gangs, like armies, are often formed for defense, and evolve into criminal enterprise.

### Racism & History

The reason that black people in America are disproportionately poor is the result of racism. It started with the rationalization that justified Black slavery, and evolved into the Jim Crow serfdom that followed their declared freedom. They were segregated and discriminated against in hiring, housing, and finance. They were given inferior schools and medical care among other

historical exclusions and exploitations in a society that has evolved into musical chairs. That is, a society in which the least educated and skilled do not get jobs or housing — because there aren't enough jobs or housing for everyone.

The cause of the proportionately higher propensity of black people to rob or steal in acquiring wealth is the poverty that such a large proportion of black people have been trapped in — unable to escape. Racism is the reason that black Americans make up a disproportionate share of the people who live in poverty. And it is logical that 400 years of cultural racism aimed at the exploitation of black people would add to the super contempt so many police officers have for people of color.

Right now, between 12 and 15% of all Americans live in poverty. Because of racism, a disproportionately large percentage of those people are black. And, if it weren't for racism, poverty would enslave Americans of all colors equally.

There is no superior race. There are only variations in the color of the skin, hair, and facial features. All ethnic origins provide the same random levels of intelligence and human potential. And if racial oppression, exploitation, and discrimination are ended, it will still take some time before impoverished black people are no more than their proportion of the population.

It takes time to acquire an education, even when it is available to you. It takes a generation of being in the middle class before you can inherit a house, which is the most expensive thing the majority of people will ever own. Just try joining a game of monopoly after all properties are owned. Going past GO, if you can get there, will not pay enough to get you around again. **(cont. next page)**

**Competition**

As long as there is a shortage of jobs and housing, every worker has a vested interest in keeping everyone else out of the workforce. The exclusion of every identifiable group, yields jobs for those who are left. Racial exclusion has a counter-constituency, and until there are enough jobs, racism and the effort to exclude others will continue.

When there is a shortage of jobs, competition drives wages to a minimum which will give the least productive workers but a bare existence. But, when there is an abundance of opportunity and a fair distribution, cooperation increases, synergistically, the wealth from which all others will share. The greater the community of cooperation, the greater the potential to specialize, to draw on the cultural specialties of every ethnic background, and to share in a far larger cooperation. Under abundant opportunity and equitable distribution, competition simply becomes a mechanism which directs each individual to the most efficient application of their labor — what an individual does best within the demands of the market.

**The Cause of Poverty**

The reason that 12 to 15% of all Americans live in poverty is caused by another institution: private property in land. It includes minerals in the ground, and even the airwaves. Land, the gift of nature, is necessary to life and production. Private property in land has replaced chattel slavery with wage slavery. And, under the present system, if it weren't for racism and the oppression of black people, 12 to 15% of all people regardless of color would be living in poverty. This is the reality.

While we must purge Killer Cops from all police forces, we must also work to eliminate poverty. Black people are not only victims of police brutality, they

are subject to horrific crimes of violence by criminals in their own communities, and they are killed or debilitated by the air they must breathe and water they drink — asthma from the air, lead poisoning from the drinking water, and the paint that their children are subjected to. This as well as the food they can afford, and stress and anxiety of living in poverty is prematurely killing some black people and shortening the lives of many others.

People who have a good job, a house, quality healthcare, and a chance to get a promotion at work, do not often sell illegal drugs, rob, or murder people. When they do, it is usually with a pen. So, how do we restructure our society so that everyone has an opportunity to get a decent job, a house, a vacation and retirement at the age of 65.

How do we share the socially created wealth that could provide for national healthcare and social security, instead of adding to the unearned incomes of the one percent? Before the pandemic, there were estimates of socially created values in the US that range from a total of six to eleven trillion dollars per year. They come from land and other monopolies.

Some small percentage of that income would be needed to reward investments in research and product development, but the vast majority of that surplus wealth could be paid out in higher wages and social programs like national healthcare and social security, and it would actually stimulate productivity. It amounts to something between \$50,000 and \$130,000 per worker per year. There are around 25 million working age adults that are not employed.

Some of them do not need to work; some of them are unable to work. The vast majority of them could and would work if jobs were created and they were able to keep enough of what they produced. By creating new jobs, there would be proportionately more produced, and

proportionately less need to redistribute wealth to those who could work, but now receive welfare. The solution to poverty is to create jobs, increase wages, and increase the number of housing units available.

Why aren't there job opportunities for all those who are able and looking for work? All they want to do is exchange their labor for the products of other people's labor. They are willing to produce directly the food, clothing, and shelter they want. They would prefer to work more efficiently, and make one part of one of those things they need and want, in exchange for the small quantity of each of the other things they need and want.

What prevents them from doing so? The answer is that you can't make something out of nothing; you can't even preform a service without some place to perform it.

**Idle Land**

As you go about your travels, you will notice businesses that have not been open for years; factories that are sitting idle, some of them for decades; stores that are empty; Vacant lots and empty houses in residential neighborhoods. There may be enough unused and underused sites in the United States right now to employ and house the entire impoverished population of the country.

First they would restore or rebuild, and then they would use those facilities to produce sustainable products or services that would earn them a living wage. There are many more empty housing units than there are homeless people in the country right now.

Why is all that land sitting idle when it could provide jobs and housing for  
(cont. next page)



our impoverished populations? The short answer is private property in land. The long answer starts with the fact that the owners of idle land consider it more profitable to leave it idle or underused. Empty buildings are often obsolete; the land has a potential for bigger and better buildings; they will be torn down when the land is resold and redeveloped. But, as long as the price that's being offered for land increases faster than the return from the stock market or other assets, holding idle land can be a better investment. Income and sales taxes are paid out of what would otherwise go to the owners of land and other monopolies; they diminish the rental value and the selling price of land. But, because of the way they are levied, if there are no sales or income, there is no tax. Only the real-estate tax must be paid on the value of idle land. Now, it is so low it levies minimal discouragement for non-use and underuse of land – which is the root cause of unemployment and the shortage of housing.

## Wages

We know from observation and long experience as well as principle that under the free market and the present circumstances, wages of the least skilled and educated workers tend to a bare subsistence (food, clothing, shelter), no matter how much they produce. Wages of the least productive workers tend to an amount, below which, productivity would fall even more than wages, were they lowered any more. That is why we have a Legal Minimum Wage. The wages of Higher skilled workers are no more than enough for the supply of each kind and level of skill and knowledge to meet the demands of the market. Because of the non-use and underuse of land, no amount of invention and new machinery or an increase in the general level of education and training will increase the proportion of the population that is working; nor will it raise the general level of wages, or reduce the cost of housing and the level of poverty.



## TAX REFORM (CONT)

### The remedy

To end poverty and racism, make the title to land conditional upon a payment of its rental value. By doing that, land would become a common opportunity. By collecting for social purpose, the rental value of land, all socially created wealth would be available for social programs. Abolish all other taxes, for they are a confiscation of property. In collecting the potential rent of land, its holders would have to use it fully or give it to someone who would, for the rent would be collected whether the land was used or not, whether there was an income or not. The full use of land brings about full employment.

As people migrate toward cities, and urban land is fully utilized, much of the previously used rural land would be left behind, worthless. It could then be used by anyone without payment, and would establish an alternative opportunity for workers negotiating wages. As technologies advance and increase the productive potential of the free rural land, wages and the return to buildings and machinery would go up everywhere.

As cities and urban areas increase in population, the infrastructure and public services are increased, and, because population is dense, invention and innovation increases productivity more. Therefore, the potential of the land would increase, and so would its rent. Each landholder would have to hire the labor and amass the capital necessary to put his land to its full potential – thus, in order to pay the land rent (tax), and continue to make a profit. Because of this, the free land opportunity would not be overwhelmed. Much of what landholders lose in land rents, they will gain from a higher return on their investments in buildings, machinery, and inventories. Urban centers would yield far more land rent as public revenue than was needed for their own infrastructure and public services. Each city and suburban region would generate large sums to contribute to social programs like national healthcare and Social Security.

In addition to collecting land rent for revenue, Government must take on businesses in which there can not reasonably be competition (roads, railroad tracks, pipes along them), and abolish other government granted monopolies. This program will eliminate poverty and the impetus to the racism and racial injustice that has evolved from the exploitation of chattel slavery to the racial exclusion from employment and housing that has been an intractable dilemma for generations.

## REBUILDING AFTER RIOTS (CONT.)

Option number one is to encourage redevelopment with building tax abatements or split-rate taxation. The goal would be to motivate rebuilding by allowing property owners to pay only for the benefit of owning the locations they operate on rather than pay taxes on their buildings themselves. These ideas are not new to civic rebuilding. In fact, they were the go-to response to disasters (natural and not) in the early 20th century. Think of San Francisco after the famous 1906 earthquake. Economist Mason Gaffney catalogues many other examples in an article written after hurricane Katrina destroyed New Orleans.

Enabling a municipality to shift its property taxes onto land values would require action by the state legislature, but there is pending legislation (HF0338) that would authorize this. If passed, Minneapolis could, in theory, designate destroyed areas such as East Lake Street and nearby neighborhoods as a land-value tax district to encourage rebuilding.

A compelling social justice argument accompanies efforts to gather public revenue from land values rather than taxes. Many activists point to racial disparities in housing and wealth as evidence of systemic racism—unjust outcomes that do not require the actions of individual racists. These activists frequently do not recognize that some assets, primarily land, are static in character, and free commerce cannot produce them for everyone. Land value taxes reduce these unfair advantages, improving social and racial equity.

Option number two is more flexible: Issue a community currency. Minneapolis, or activists working with businesses, could collect dollars from people and in return give them a currency they could use at participating stores in Minneapolis. A variety of localities use their own currencies, but increasingly they're turning to digital platforms. For example, Brixton, a district in Greater London, United Kingdom, has its own pound that can be transmitted by text messages as well as physical notes. It charges a fee to people converting Brixton pounds into pounds sterling to both finance the project and keep the wealth local.

The advantages of a community currency may not be as profound as reforming the property tax code to motivate construction, but they would probably be more visible and intuitive. For one, a community currency would ensure that spending remains local and doesn't leak out of the city. Keeping spending in the city keeps wealth creation in the city, so it encourages employment and higher wages, which would help disadvantaged communities.

Two, a local currency would foster community trust because people identify with their currencies, and

distrust in businesses can be eased if people know that a local currency recirculates locally. It would function as a symbol of community solidarity and renewal. Even larger businesses might be persuaded to participate because it would show their sincere commitment to the minority communities they serve.

In closing, I note that neither of these ideas addresses police practices, the institutional failure that triggered the ensuing pain and destruction. The reason is that the underlying inequities and distrust would remain even after enacting sensible public safety reforms. In one anecdote that struck me, reported by the Associated Press, one protester justified the property destruction and looting of local businesses saying, "They're making money off us," as though these businesses avariciously extracted wealth from black neighborhoods, keeping them chronically poor. If this sentiment pervades many disadvantaged communities, then building a new Target or Cub Foods alone won't mollify it. Rebuilding the destroyed neighborhoods of Minneapolis requires visibly building community solidarity, something land-value tax districts and a community currency would promote.

## ECONOMIC EQUALITY (CONT.)

It's not fair for a person to get rich because their political clout helps them or their clients obtain large government subsidies. They should be prevented from getting wealthy at the expense of taxpayers and consumers. Much of agricultural subsidies, for example, go to the biggest farms, not to the farm workers.

The largest subsidies are implicit in the form of not paying the full costs of production or in obtaining higher land value from government's public goods. Therefore, for one example, there should be pollution levies that compensate for imposing a social cost. There should be taxes on the land rent generated by public goods.

Research has found that much of the inequality in the economy has its origin in real estate, in the ownership of land. Much of the gain from economic growth is captured in higher land rent and land value. Low taxes on land combined with high taxes on labor have produced the great economic imbalances that are low wages and high housing costs. This can be reversed by untaxing labor and shifting the obtaining of public revenue to land value. As Matthew Rognlie from the Massachusetts Institute of Technology stated in his article, **Deciphering the Fall and Rise in the Net Capital Share: Accumulation or Scarcity?**: *In a sense, then, the lesser role of land is due to the idiosyncrasies of national accounting.*

## TWO PARTY SYSTEM (CONT.)

The history of economic thought has been chronicled in numerous ways. But only recently has it been shown that a cabal of economists comprising the originators of the American Economics Association deliberately engineered a putsch of alternative thinking that would then alter subsequent economic discourse. It was Professor Mason Gaffney's 1994 book, *The Corruption of Economics*, that carefully chronicled how it was that the leading academics in the last decade of the 19th century changed economic definitions and formulas so that economics would then be transformed to favor powerful interests of the period.

The economic thought that today is known as classical economics would shortly be replaced by what we know as neoclassical economics. Classical economics, from the time of Adam Smith, through Thomas Malthus, David Ricardo, John Stuart Mill, and ultimately Henry George was all based on a three-factor framework: land, labor and capital. Henry George's book *Progress and Poverty* defined each of these clearly; they were mutually exclusive and jointly exhaustive of all factor value. George's definition of land was quite simple; it "does not simply mean the surface of the earth as distinguished from air and water--it includes all-natural materials, forces, and opportunities. It is the whole material universe outside of humans themselves." His definition of labor was equally clear: it included "all human exertion." And of course, "capital must exclude everything that may be included as land or labor." Put differently, capital constituted everything of productive value that is the product of land and labor.

The price of labor was measured in wages; the price of capital--meaning for the most part tools and other resources for productive use, was interest; and the yield measuring the use of land was called rent. It is telling that the word rent, despite its widespread use for centuries past, has essentially dropped from economic discourse, and that the word as used in today's vernacular carries a totally different meaning. The rent that flows from market uses of land sites is called ground rent, economic rent, or Ricardian rent. This is a different in meaning from the rent we pay for the use of a car, a house or any other tool.

To the banks and the railroads, the two most politically and economically powerful interests of the day, land and capital both constituted assets and could therefore be viewed together, and in contrast to labor. Moreover, by merging them in what would now be two-factor theory, their tax liability could be greatly reduced as well. Since the taxable value of land, with the most valuable places of course being

close by rail stations, was highest, it could be balanced against taxes on capital, most of which was rolling stock. This allowed for reducing, or zeroing out, tax burdens for which the railroad corporations were most liable.

The banks too, also among the most wealthy and powerful interests of the period, gained by the reduction of their tax burdens. Their clientele was heavily indebted to both land and capital interests, and by reducing the tax burden on this constituency, it was able to expand its ambitions across the westward continent. As time went on, and when the growing economy needed more revenues, what was left to be taxed? Ultimately taxes would move toward labor.

The history of taxation today is confused and pretty much lost to most people. Since two-factor economics has come to prevail almost universally, there is little appreciation of the merit there is in land taxation. Economists still widely accept the principle, just as Adam Smith first held, that "ground-rents and the ordinary rent of land are...the species of revenue which can best bear to have a peculiar tax imposed on them." But politically powerful interests, today relying on neo-classical economic teaching as well as general public ignorance, have managed to ensure that the preponderance of tax revenue rests on wage-labor and capital goods. Land and property taxes are generally the most hated of taxes.

So, what does this do for the configuration of our political party structure? First, it is evident that land parcels, as well as all the more recently identified resource rents that today are properly categorized as land, remain undertaxed or even untaxed. Another instance of this is the kind of property known as the electromagnetic spectrum. The same applies to all patents and copyrights that have a market price and are widely traded on the market. Still other properties are pollution sinks, airport landing slots, as well as minerals and fossil fuels. **(cont. next page)**



"A DIVISION OF THE  
REPUBLIC INTO TWO  
GREAT PARTIES ... IS  
TO BE DREADED AS  
THE GREAT POLITICAL  
EVIL."

~ John Adams

## TWO PARTY SYSTEM (CONT.)

All these goods of nature have a market value but tend to be overlooked when tax policies are applied. Industries which rely on all these resources and properties have become the core that decides, if not dictates, political party structure. One might assume that the Republican party is therefore the greatest protector of these industries. But this doesn't necessarily obtain in view of the rapidly changed technocratic economy of today.

Nor is it clear that the Democratic Party today relies more heavily on the working electorate in the labor force. Because labor unions no longer have the political strength they once possessed, the Democrats are today a coalition of several factions: government workers, ethnic minorities, indigent populations, academics, and public interest groups like environmentalists. It also relies on elements of the technocracy for its strength, but this constituency is tenuous.

What is clearest above all is that today there is little logic to either political party's base. The configuration of each party's constituency rests most on its donor base, which means ideology now subordinated to special interests. Dr. Joseph Stiglitz calls the present U.S. structure a "rentier economy." If, however, it were to happen that the interests most protective of landed property and other resource rents were to become the basis of one political party, and labor producers reliant on wage labor were the basis of the other, our American political party competition, along with the discourse that accompanies it, might regain some grounding and some rationale. If this were to occur, it would likely occur after a more widespread and sounder understanding of how the primary factors of production are land and labor, and which, again as Adam Smith said, leaves capital as the derivative.

## GEORGISM AS A TOOL (CONT.)

This is why Dr Martin Luther King, in his 1967 address 'Where Do We Go from Here', was so insistent on the elimination of poverty as a tool: "The poor, transformed into purchasers, will do a great deal on their own to alter housing decay. Negroes, who have a double disability, will have a greater effect on discrimination when they have the additional weapon of cash to use in their struggle."

It is no coincidence that Dr. King approvingly cites Henry George's work *Progress and Poverty* in that address. George was not primarily a racial reformer, and while his own views on race were ahead of most of his white contemporaries, they were still imperfect. Nonetheless, he set out a comprehensive economic vision for the elimination of poverty from society. Both George's understanding of the etiology of poverty and social problems, and his specific understanding of land and economic rent, are needed to help bring about greater material equality in the United States.

The first and perhaps most fundamental truth George laid out for 19th century Americans, and which still must be grasped today, is that poverty is not natural. He professed that it is indeed a symptom of profound injustice. In his essay, "The Crime of Poverty", George wrote: "the thing of things I should like to show you is that poverty is a crime. I do not mean that it is a crime to be poor. Murder is a crime; but it is not a crime to be murdered; and a man who is in poverty, I look upon, not as a criminal in himself, so much as the victim of a crime for which others, as well perhaps as himself, are responsible."

Too often the response to deep poverty in this country is 'yes, that is terrible, but that's the way of the world'.

When it is brought up that perhaps working conditions or wages are unfair, workers are simply told that 'scarcity' is the reason for their suffering – goods are simply scarce, and can't possibly be provided to everyone if those in need aren't working precisely according to the whims of their employer. Georgism takes a fundamentally different view – in a productive industrial society, the continued existence of poverty is an indictment of the economic structure.

George's works also deny that people in poverty are responsible for their own condition. Too often, the inequality and misery of Black people and other poor people in the U.S. is blamed on their own behavior – if only they committed fewer crimes, or didn't have children they couldn't afford, all would be well. George explodes both arguments. In the aforementioned essay, he plainly states that "Poverty is the mother of ignorance, the breeder of crime". In *Progress and Poverty*, he explicitly lists both the costs of crime and the costs of police as part of the unavoidable burden of "the present unjust and unequal distribution of wealth".

Moreover, in the same work he flatly and boldly denies the validity of Malthusian arguments for the source of poverty that had been accepted by previous generations of liberals, with unequivocal language: "I assert that in a state of equality the natural increase of population would constantly tend to make every individual richer instead of poorer."

## GEORGISM AS A TOOL (CONT.)

These basic beliefs are a necessary starting point – otherwise, the discussion of how to help communities is too quickly derailed by efforts to blame the victims of poverty for their own misery. By tracing poverty to its root – a fundamentally unjust system of property – George gives a perspective that avoids that distraction, without denying (as Marxism does) the important role played by both workers and entrepreneurs. While he shares with other materialists his diagnosis of poverty and violence as being rooted in economic circumstances, his focus on rent seeking and land ownership is a powerful tool many other perspectives lack.

Why would a focus on ‘land’ further racial equality? It may not be a silver bullet, but a land value tax would be beneficial to Black Americans because of the specific ways in which wealth and income are distributed today.

When discussing economic inequality, the most used metric is wage inequality. This gap is severe – white workers earn over a quarter more wages than Black workers. The greatest difference is found in net worth; the average white household net worth is ten times greater than the average Black household. A land value tax would begin to address this inequality in two distinct ways: 1) by reducing the economic power attached to land ownership, which is deeply inequal in the United States, and 2) by reducing the burden of other taxes that fall more heavily on Black Americans.

A recent USDA report on who owns agricultural land in the U.S. shows lopsided results: 97% of the value of agricultural land is owned by the 70+% of white Americans. Residential land ownership is less dramatically skewed, but far from equal. Housing stock, a great percentage of which is land value, is a major contributor, with far more white than Black families owning their homes (73% vs 45%); among those who own homes, white families have far more equity in those homes (\$215,000 vs \$95,000). A land value tax would begin to directly address this wealth disparity. Commercial land is more difficult to categorize, because much of it is owned corporately. The leadership in commercial real estate enterprises is overwhelmingly white, and white households are far more likely to own publicly traded stocks.

None of this is coincidental: centuries of racist policy and practice have conspired to keep Black people from owning land, and to reclaim it for white interests at the first opportunity. The most valuable land in the U.S. was claimed before slavery ended; while most of those lots may now have new owners, practices such as redlining (refusing mortgage insurance or other services in Black neighborhoods), racial covenants preventing people of color from purchasing homes in ‘white’ areas, and official and unofficial discrimination

were used to ensure that most Black people have always been liable to pay rents. Taxing land at or near its rental rate would lower the purchase price of land and slow its appreciation. Making rents and land appreciation community assets, rather than the assets of individuals and corporations who are overwhelmingly white, would not erase the legacy of racial discrimination that created these land ownership patterns, but could minimize its impact.

Reducing the tax burden on labor and families could also be a boon for Black workers and consumers. Although the current federal income tax structure is ostensibly progressive – introducing higher tax brackets for higher earners – details of this structure, as well as the structure of state and local taxes, conspire to ensure that taxes overall fall more heavily on lower income individuals than on the very highest.

Regressive local taxes – especially sales tax – are among the biggest contributors to this situation. Almost everyone in the country is impacted by sales taxes, but for the working class, they take a much greater percentage of income than for wealthier Americans. Moreover, urban areas frequently impose additional sales taxes, increasing the overall burden. Communities concentrated in urban areas, and those with less access to transportation, end up paying more.

Historically, the tendency for sales taxes to fall more heavily on Black communities than other methods of taxation has been a feature for white-dominated governments. The other major source of local revenue – property taxes – are easier to pass on to tenants. A tax on property leads to less overall investment in physical property, raising prices and rents. In this way, renters indirectly pay part of property taxes, in a way that they do not for land taxes. Because the quantity of land is not impacted by the tax, there is no disincentive to physical investment and rents do not rise; by incentivizing more efficient land use, a land tax will likely decrease rents.

A shift from property and sales taxes would shift burdens from renters and workers to landowners. This would decrease the tax burden on African Americans. None of this is to say that even a full implementation of George’s ideals would put a stop to racism; there is not an economic solution for every problem.

Addressing racism means changing minds and weakening the power of established bigots, neither of which is susceptible to simply material solutions. Nonetheless, as Dr. King laid out in his later speeches and writing, creating economic parity between racial and ethnic groups in the United States is a necessary step. This is where Georgism, and the focus on land and rent seeking, can be a powerful tool for improving lives of millions of Americans.

## MEDICAL CARE FOR ALL (CONT.)

Suppose that all persons in a society have an equal wage income and an equal share of the resource rents. Then either everyone has enough income to pay for these necessities or nobody does. But economics tells us that there would be an equilibrium between incomes and spending. So, given the income, the costs of the necessities would be such that this income would be at least equal to meeting these costs.

For example, if incomes would not be enough to pay for a 4-bedroom detached house with a big garden, what would instead be produced would be shelter that families could afford, such as a 3-bedroom house with a small garden. People would not eat gourmet dining, but would instead eat more basic, less-expensive food. No matter what the economic organization and regulation, whether of markets or government controls, no more medical care can be provided than the society can produce, together with other necessities.

The (natural or legal) right to have something means that it is morally wrong for others to deny you that thing. If medical care is a moral right, then others are obligated to provide this medical care, and you are also obligated to help provide that service to others. Everyone is obligated to everyone else. But if everyone can obtain the income to purchase such service, there is no economic need for each of us to help provide it to everyone else.

There is no natural or inherent right to receive income or goods from others. Forcing a person to give income to others violates his or her right to keep one's earnings and an equal share of the rent. In this sense, there is no general moral right to receive medical care, as that could be seen as stealing income from others.

This analysis presumes that people have adequate incomes from earnings and rent. But today, we live in unjust economic conditions. Many people have poverty-level incomes or no income at all. There is much income inequality. Given today's economic and social realities, don't people have a right to medical care?

We can analyze this assertion by reducing the underlying problem to its root: economic deprivation caused by government policy. Government restrictions and mandates make it difficult and costly to become self-employed. Government taxes and mandates make it costly to hire labor and they also reduce the incomes of workers. Taxes on goods increase the cost of living.

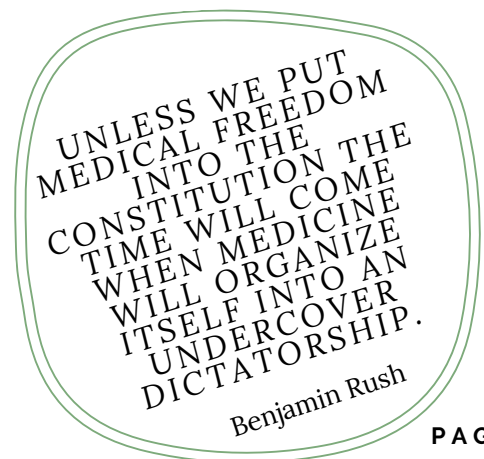
What about the public goods provided by government? These benefits make locations more attractive and more productive, increasing the rent. Tenant-workers get double billed, paying both taxes and higher rent. Landlords get the subsidy of higher rent for public goods paid mostly by workers.

Meanwhile, excessive tax credits, deductions, and exemptions allow for some wealthy companies and high-paid executives pay little in taxes. Yes, some of the rich do pay a high amount in taxes, but they get more than their money back as invisible subsidies; that is, as landowners, the higher rent and land value they receive from public goods.

Thus, given the lack of the economic opportunities and wages that workers would otherwise get in an economy with economic justice, medical care can be considered as a compensation for economic deprivation. The economic deprivations of taxes and excessive restrictions are, in the context of our argument, a kind of theft of potential income. Just as a victim of a robbery has a moral right to get his stolen money back, so too a victim of economic deprivation has a moral right to compensation. Medical services, like food and shelter aid as well, amount to a compensation for such deprivation.

Government funded medical services have been called "Medicare for all." Today's Medicare in the USA amounts to a payment by the Government for services mostly provided by private enterprise. Most doctors and hospitals are privately owned and operated. Some advocate socialized medicine, which means that medical services would be owned by the Government, and medical personnel would work for the Government, like those employed by the Veterans Administration. Today's medical care system is indeed more costly than that provide by most countries, and needs much reforming. But this is an issue separate from the issue of whether people have a right to receive medical care.

There is no general human right to medical care; or, at least, not one that is universally acknowledged. There is, however, a moral right to compensation for theft. Therefore, in our unjust economy, the poor, suffering from deprivation, have a moral right to the compensation that will provide in full for their basic needs, including medical care. When that day comes, when we have universal prosperity that derives from economic justice for all, then the right to earnings and resource rent will enable society to equitably provide medical care and services for all its members.



*Welcome*

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Matthew Downhour  
Christopher England  
Jeremy Lucas  
Mark Mollineaux  
Steve Sklar

## **Outgoing Board Members!**

Gregg Erickson  
Wendell Fitzgerald  
Ted Gwartney

*Thank You*

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