APRIL 2021, VOL. 19

RSF DIGEST

NEWSLETTER OF THE
ROBERT SCHALKENBACH FOUNDATION

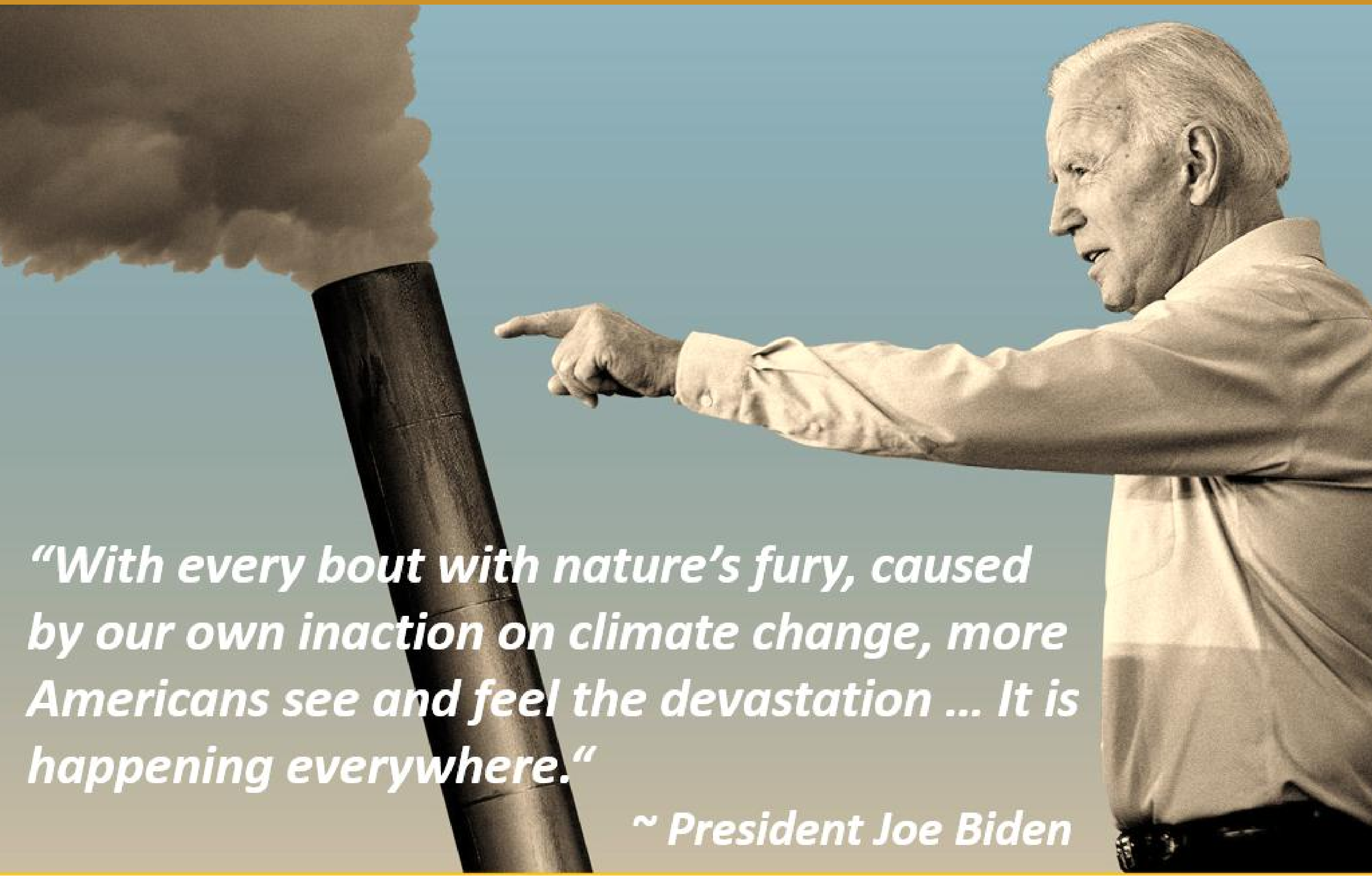
WHAT'S INSIDE?

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.

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.

Value Capture Tools:

(Noun) policies and processes that allow for the assessment and capture of (at least a portion of) either the cost of governmental improvements that serve to enhance the market values of affected private properties, or the value bonus to such properties from enhanced building rights granted by government.



NO BRAINER

BY JOSIE FAASS, EXECUTIVE DIRECTOR

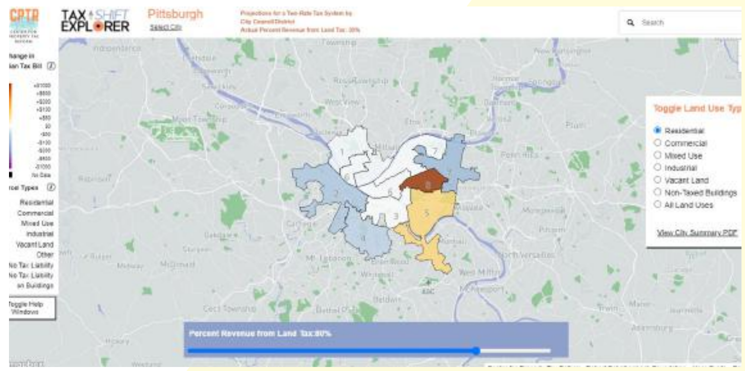
There's a lot to love about RSF, but the thing I appreciate most is its fundamental autonomy. Having spent most of my career with much larger organizations, many of which were baked into almost inconceivably large matrices of federal and state grants and regulations, or guided by missions too intentionally diffuse to allow for real accountability. But this little foundation, brought into being to advance the ideas of Henry George, has none of those hang ups or distractions.

What we do here reflects that reality, and one of the things I do most often these days, is talk to people about what it would be like to implement a land value or two rate tax in their own city or town. Part analytical presentation, part fundamental exploration of who their hometowns are right now and who they could become, these really are interesting conversations.

We've all heard the expression, "the numbers speak for themselves," and that's the case with our work. But numbers alone aren't nearly romantic enough to carry the day when what you're talking about is a profound reshuffling of tax burdens. Unsurprisingly, people with any kind of skin in the game need a heck of a lot more than that to consider touching the third rale that is their neighbors' property tax bills.

Fortunately, land value taxes aren't about numbers alone, and each of these outreach calls takes on a life of its own. Sometimes the conversation turns from the numbers to the policy's ability to increase tax progressivity. At other times, the initial leap is into a discussion of the land-use patterns it encourages (namely increased infill development and redevelopment, coupled with reduced development pressure on the periphery). Inevitably, we talk about that most foundational notion of value capture: reclaiming for community use the portion of land's value derived from community investments.

Our team has no script. Even if we wanted one (which we don't!), creating such a thing would be impossible, because no two conversations look alike. But no matter how the

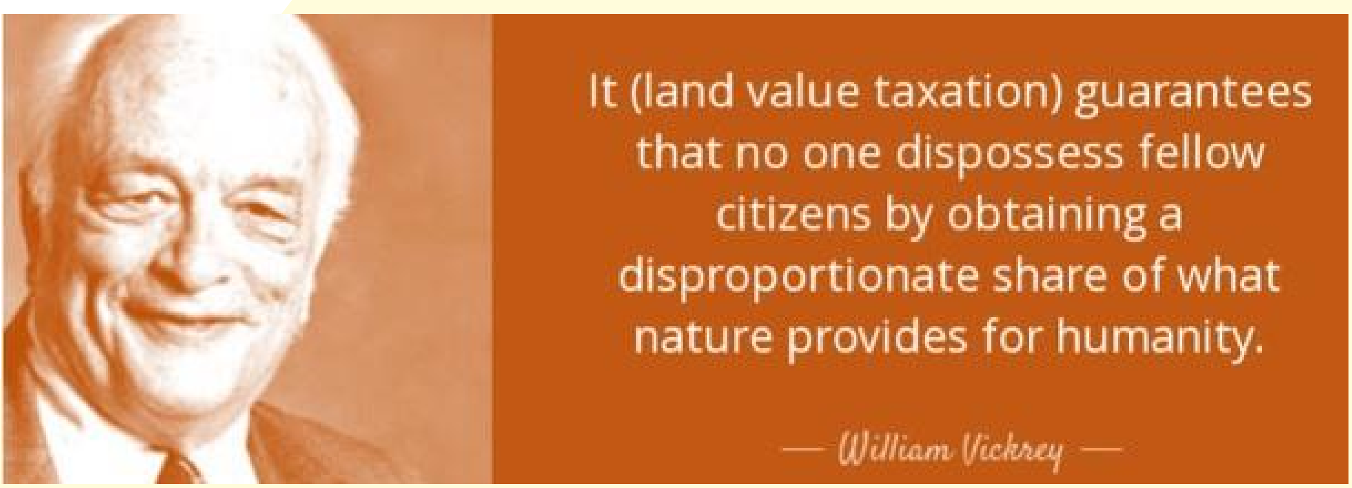


conversation transpires, more often than not, the person on the other end of that zoom remarks (usually verbatim) that, "This feels like a no brainer."

We don't seek to "sell" the idea of land value tax. That's not our job. But, we do explore its real-world applications and implications, and educate others about what we find. That - according to our Foundation's very simple mission - most definitely is our job. And when we hear those six words, we know we've done it.

So, does this mean that we'll start seeing land value taxes popping up all around us in no time? Sadly, no. Josh, Stephanie, and I (aka: the Center for Property Tax Reform) still bump up against the same obstacles that have thus far prevented the large-scale adoption of land value taxes in the U.S.

But hearing that "this feels like a no brainer," from so many different mouths, keeps us pushing on. Because land value tax is a no brainer. We have the numbers to prove it, and the charge to do just that.



IN MEMORIAM

HONORING RSF BOARD MEMBER PAUL JUSTUS

In early February. we lost a great friend, Board Member, and contributor. The world lost a great man, a great advocate of progressive economics and equality for all, and a true believer of the teachings of Henry George.

Paul Francis Justus passed away unexpectedly while on a walk in his Englewood neighborhood. He was preceded in death by his wife, Dr. Andrea Radwell.

Born in Kansas City, Paul spent decades in Northwest Arkansas before moving to Salem, Oregon. Paul earned a BA in Economics from Saint Louis University, an MA in Urban Design from the University of Kansas School of Architecture. He spent much of his career as a Regional Planner with the Northwest Arkansas Regional Planning Commission.

Much of Paul's life was dedicated to service. He joined the Peace Corps at a young age, working in the Government Statistics Office in the island nation of Tonga. He was an active member of the Unitarian Universalist Congregation of Salem, an Eagle Scout, and served on the boards of a number of public service non-profit organizations including the Robert Schalkenbach Foundation, the Public Revenue Economic Council, the Ozark Regional Land Trust, Council of Georgist Organizations, and Common Ground USA.

He enjoyed playing his guitar, practicing Spanish, singing in choirs, spending time in nature and advocating for progressive solutions to fight climate change. He also published a children's book about Georgist economic policy, "Young George and the Dragon: An Economic Fairy Tale"

Upon joining the RSF Board, Paul was asked what he believed to be the "core of the Georgist viewpoint." Paul answered "In my opinion the core of the Georgist viewpoint is that people own what they create and that land (natural resources and natural opportunities) rightfully belongs equally to all people.

By shifting taxes off authentic human production and, instead, taxing land value we will see our society move towards more economic freedom, more social and economic justice, and a much improved economy not subject to the recurrent tragedy of boom-bust cycles and other negative effects."

Paul brought those insights to everything he did with the Foundation and we encourage you to read his final RSF blog, "USING A CARBON FEE AND DIVIDEND: A TOOL TO OVERCOME THE CLIMATE CRISIS"

DIRECTORS' PERSPECTIVES

EXPLORING CURRENT APPLICATIONS AND IMPLICATIONS OF HENRY GEORGE'S TEACHINGS.

HOW TO PREVENT THE BOOM AND BUST CYCLE

BY: FRED FOLDVARY

Why can't the economy have steady growth and prosperity instead of cyclically falling into recessions and depressions? We can have sustainable growth if we eliminate the cause of the bust. There is one fundamental, though mostly unrecognized, cause of the boom and bust economic cycle: subsidies to land value. Eliminate the subsidies, and the cycle disappears.

Most people, including economists, blame the financial system for economic depressions. That is like blaming coughing for causing colds. We cough when we have a cold, the illness causes the symptom. Likewise, as real estate is bought with borrowed funds, financial firms crash when the economy is depressed and loans are in default. But the crash of the banks has a more fundamental cause, the boom and bust of real estate due to subsidies. **(Cont. Page 6)**

DIRECTORS' PERSPECTIVES (CONT.)

THE 5G AUCTION: BOON OR TRAP?

BY: STEVE SKLAR

Behold the 5G mid-band auction. The trade press and the FCC itself have touted the auction, concluded late August 2020, as a long-overdue boon to the U.S. But something about it gives me that "Watch Out" feeling.

That something is the 19th Century predatory monopolism of that tag-team combo Standard Oil and the railroads.

The winning corporate bidders will get access to the mid-band frequencies of the electromagnetic spectrum. Their licenses will let them carry video, audio and all manner of data locally to cell phones, laptops and a wide array of other electronic devices. In the mid-band particularly, 5G technology can deliver information exponentially faster than 4G technology could. But in a given territory that channel has limited carrying capacity. The competitiveness of the auction reflects that — over $4.5 billion bid in this latest round.

Now about that Standard Oil-railroads combo.

In the second half of the 19th Century, John D. Rockefeller built up Standard Oil (later known as Esso and Exxon) into an empire. "The Standard produces only one fiftieth or sixtieth of our petroleum," wrote Henry Demarest Lloyd in an exposé of that company "but dictates the price of all, and refines nine tenths." The secret to Standard Oil's monopolistic success was the highly favorable rates on oil transportation it got clandestinely from the owners and managers of railroads such as the Pennsylvania, the New York Central and the Erie. Sometimes, the railroads even kicked back a share of Standard Oil's competitors' fees to the company.

Thus did Standard Oil force its competitors to forgo shipping or production or even to sell out to the company at a heavy discount. Rockefeller's outfit bought off judges, state legislators and Congressmen, thwarting the efforts of other oil companies to have the laws against such practices enforced. Standard Oil could therefore charge the public monopoly prices for products such as kerosene, then the world's major source of lighting.

Regarding the railroads' own monopolistic power, Lloyd observed "The movement of the railroad trains of this country is literally the circulation of its blood." The Great Railroad Strike of 1877 bears him out.

The Strike got underway on July 16 of that year in response to the Baltimore & Ohio Railroad's announcement of a 10% wage cut. At its height, the strike spread to the Northeast and Midwest and halted more than half the freight in the country. Through the end of that July, the Strike involved as many as 100,000 workers and resulted in the jailing of about 1,000 people and the death of around 100. Local militias and, later, Federal troops, were called in to end riots.

They fired on crowds, crowds fired on soldiers, mobs set buildings on fire, looting was rampant. Pittsburgh was particularly chaotic. It's likely that the Great Strike, occurring during a six-year depression, brought a number of cities to the brink of societal collapse.

As to my "Watch Out" feeling, then: Ignore the digital wizardry of 5G technology or the possibility that IT moguls are modern-day Robber Barons. Just focus on the fact that Ajit Pai is, at least until the Biden administration is seated, the chairman of the FCC.
(Cont. Page 6)

MUNICIPAL LAND TRUST

BY: RICH NYMOEN

Inspired by a proposal in Martin Adam's book, "Land: A New Paradigm for a Thriving World", the Minnesota chapter of Common Ground USA partnered with the Center for Urban and Regional Affairs (CURA) to explore the feasibility of starting a Municipal Land Trust (MLT) in the City of Saint Paul.

Under an MLT, a home owner finances the building portion of a property with a conventional mortgage but instead of financing the land portion of the property, the homeowner pays land rent to the trust in lieu of property taxes (i.e. the trust pays the property taxes for properties in the trust). This can be arranged in various ways, such as:

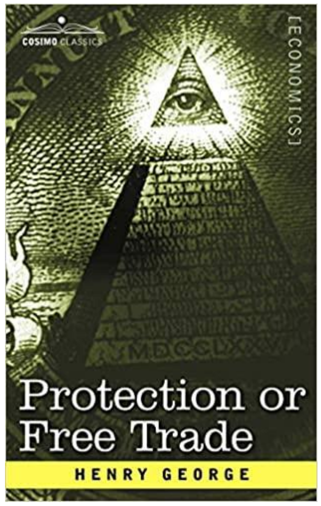
- The trust acquires and retains the land title for homes in the trust; and/or
- When a city provides loans/funds to a homebuyer/developer, a deed restriction is placed on the property obligating land rent payments to the trust in lieu of property taxes.

(Cont. Page 8)

APPLYING THE LESSONS OF GEORGE'S PROTECTION OR FREE TRADE

BY: MATTHEW DOWNHOUR

After the signing of the Bretton Woods agreement and the creation of the General Agreement on Tariffs and Trade after World War II, global free trade began a decades long period of expansion, dramatically increasing the role of international trade in the global economy by systematically removing barriers. The economic gains were immense. While critics pointed out failures in fairly distributing those gains, few thought this would pose a serious challenge to the free trade system. But in 2016, after decades of policy dominance, free trade suddenly found itself faced with major setbacks – the Brexit election in the UK and victory of Donald Trump – with his promises to withdraw from the Trans-Pacific Partnership and re-negotiate NAFTA – demonstrated free trade's weakening popularity.



The situation is hardly unprecedented in US history, however. The question of tariffs in the early 19th century sparked a constitutional crisis when the state of South Carolina refused to collect a duty they labeled 'the tariff of abominations', and discussions of trade policy became one of the defining areas of disagreement between the Democratic and Republican parties after the Civil War.

It was with this backdrop, during a debate about tariffs on woolen goods in 1892, that Representative Tom Johnson of Ohio requested that the entirety of Henry George's book Protectionism or Free Trade be read into to the Congressional record. The late 19th century movement for free trade would surmount the steepest hurdle for US political reform, managing to pass a constitutional amendment allowing for an income tax largely with the purpose of replacing revenue tariffs. By the outbreak of World War I, these reformers had brought the tariff to rates comparable to those seen today – victories for free trade that would be expanded upon after World War II to create the current, nearly-global liberal system.

While economic circumstances evolve over time, George's formula for taking free trade from a textbook technocratic policy to a vital and popular ideal is still a useful guide for free traders looking to do the same thing. In shifting the emphasis towards the well-being of workers, in both tone and argument, paths are opened to broader cooperation. Even those who may not agree entirely with George's ultimate diagnosis can learn a great deal from the way he describes the malaise infecting many free trade arguments. Effective argument in favor of free trade must center the conditions of the working class, rather than being caught up in abstract discussions of efficiency and must be part of a broad program that has as its goal not just a richer global system but also a freer and more equal one.

In the opening of the book, George discusses the obstacles confronting the free trade argument shortly after the end of the Civil War. He sees free trade as suffering from both partisan obstacles and rhetorical ones. In terms of the party system, free trade was embraced primarily by the Democratic Party, while Republicans supported protective tariffs. The whole concept of free trade was sullied by its association with the Confederacy . One might add that beyond the still strong memories of the Civil War, the political situation was such that two groups most subject to oppression under the economic system – Black Americans, and those workers recently immigrated to the United States – were largely relegated to separate parties, stymying any effective efforts at creating a truly working-class party.
(Cont. Page 10)

PRICING CARBON IS A MAGIC JOB MACHINE

BY:FRANK DE JONG

"No army can stop an idea whose time has come" -- Victor Hugo

Hugo was referring to the French Revolution, but his quote also nails the unstoppable logic of carbon pricing. Recently, the Supreme Court of Canada wrote, "Climate change is a real and existential threat to the entire world, and evidence shows a price on pollution is a critical element to addressing it."

The world watched as the Ever Given blocked the Suez Canal highlighting the overdependence on long and precarious supply lines. A charge on carbon will right-price transportation and thus help repatriate outsourced manufacturing.

Al Gore suggests we tax what we burn, not what we earn. Carbon levy revenue could perhaps best be used to offset the hated income tax, to make local labour competitive again. Income taxes were never meant to be permanent.

Pollution taxes are actually not a tax, they are a fee for service. Carbon fees permit people and businesses to get rid of their CO_2 by dumping it into the air, like any other fee for disposal of waste.

Emitting CO_2 is a privilege not a right, so being required to pay for this privilege makes good sense. The community should be compensated for the loss of its clean air. The atmosphere belongs to all, so carbon fee revenue should perhaps be shared to all as part of a basic income, like the Alaska Permanent Fund shares oil royalties.
(Cont. Page 8)

DIRECTORS' PERSPECTIVES (CONT.)

A NEW BUT FAMILIAR VACCINE FOR NEW YORK'S COVID ECONOMY **OP-ED**

BY: JOSIE FAASS

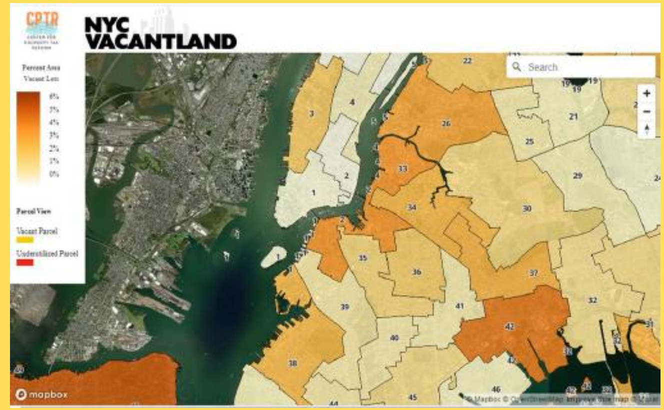
The current economic life of New York City is almost unrecognizable when compared to that of just a year ago. Faced with the collapse of the tourist and business travel industries, hotels that reported second quarter occupancy rates surpassing 90% in 2019, failed to hit the 40% mark a year later. The City's unemployment rates have also skyrocketed, reaching 11.4% in December 2020, as compared to the 3.6% pre-pandemic norm. Many of the remaining nonessential workers are continuing to stay home, leaving offices, and the restaurants and stores that serve their occupants, largely empty for the foreseeable future. These trends have produced significant impacts to the real estate market, including a 92% decrease in downtown fourth quarter leasing activity compared to the five year quarterly, and a drop of nearly 18% in Manhattan residential rents since last winter.

Unsurprisingly, the City's single largest revenue source, its property tax, is projected to nosedive as the effects of COVID-19 stretch on. Estimates put the deficit at some $2.5B over the next year – by far the largest decline in decades. How do officials plug this gaping budget hole? Federal aid is one option, and happily, the Biden Administration seems much more likely to come through than was its predecessor. But aid is finite. The city's property tax problem is not.

Under the City's current tax code, properties are divided into four "classes": residential (up to three units), residential (greater than three units, co-ops, and condos), utilities, and commercial/industrial parcels. Each class has a unique tax rate, which is applied to some (again, unique) percentage of assessed value, with the majority of an owner's tax bill coming from the value of their buildings, rather than the land beneath them. This convoluted system encourages land speculation (or at least, does not discourage it), which in turn, exacerbates the City's chronic affordable housing shortage by creating artificial land scarcity.

How can New York City's property tax system be improved? Ideally, the City would overhaul its property tax system with an eye towards transparency and equity. But overhauls take time, and with this yawning budget gap looming, perhaps the ideal should yield to the practical and expedient, which is to create a Fifth Class within the existing tax system. This new Class would contain only vacant and blighted parcels, and tax them not on the value of their (nonexistent or very marginal) improvements, but (to roughly quote Will Rogers) on the one thing they ain't making any more of: land.

The mechanics of this proposal are surprisingly simple. The City already knows which parcels are vacant, and using publicly available tax data, it is not too hard to figure out which might accurately be described as "blighted." by comparing the value of the improvements to the value of



the land they are on (the lower the ratio, the higher the likelihood of blight). Desirable open spaces, like community gardens and parks, would be omitted from the new Fifth Class, an exclusion that would not be a problem as the city identifies these parcels clearly in its data.

Using this approach, it is not hard to determine the effects of a new Fifth Class. According to a GIS interface created by The Center for Property Tax Reform, this new Class would capture nearly 27,000 parcels – some 4,643 acres – across the five boroughs. And at a tax rate of 3.5% on the market value of the land, Class Five parcels would generate about $1 billion additional property tax dollars in year one. That is not enough to plug the projected $2.5B deficit, doing that would require an unrealistically high tax rate of 8.74% on Class Five parcels, but, it's a not insignificant start. Alternatively, those dollars could be put toward new efforts, like a City-wide universal basic income or the creation of a New York City-specific version of the Octopus Card, the contactless payment system that's revolutionized Hong Kong's economy. Or the City could use revenues to fund a scattered site Land Trust (or similar mechanism) to scoop up parcels sold as a result of their now higher tax bills and use them for affordable housing – a sort of virtuous land use cycle, if you will.

Clearly, the creation of a Fifth Class will yield new revenues, but how is using this tax to fill the City's coffers preferable to raising any one of New York's myriad other taxes? The answer lies in land's unique characteristics, and in how those characteristics allow us to predict people's behaviors in response to increased taxation.
(Cont. Page 9)

Scientists and public health experts around the world have been warning us for many years that a pandemic caused by an unknown virus was not a matter of "if" but of "when", and that we needed to prepare.

~ Ed Yong, Science Journalist

5G AUCTION (CONT.)

Before entering government service, Pai worked for several years as Associate General Counsel for Verizon. As a large data communications service provider, Verizon is the kind of outfit the FCC ought most to regulate. But Pai tends to advocate against regulation. Indeed, shortly after his FCC appointment he, vowed to end net neutrality.

Standard Oil and the railroads were challenged. Lloyd's writing influenced Ida Tarbell, whose writing in turn influenced the U.S. Supreme Court in 1911 to order the break-up of Standard Oil into 34 companies and, more importantly, gave impetus to antitrust policy. And like technological improvements before it, 5G will surely enhance our ability to produce wealth and render services to each other. All these developments are hopeful.

But how hard is it to imagine one or a group of the mid-band auction winners using their data-carrying franchise to play the railroad to a content-providing Standard Oil? Then a small group of players will be empowered to determine how freely information gets to us or whether it gets to us at all.

In 1883, in Social Problems, the anti-monopolist reformer Henry George wrote "We are steadily differentiating a governing class, or rather a class of Pretorians, who make a business of gaining political power and then selling it."

(Accordingly, in Protection or Free Trade, George advocated for public control of "businesses in their nature monopolies.") The sell-off is still going on. It carries the same threat to the public interest today that it did in the 19th Century. Case in point: the largest bidder by far, among the winners of the 5G mid-band auction, was Verizon Wireless Network Procurement LP. Unrestrained industrial monopolies which prey, as they so often do, on the public, thereby contribute to income inequality.

The more powerful and extensive and numerous such monopolies are, the more they contribute to that state of affairs. It is ironic that the resulting strain that such predation puts on public prosperity contributes to the widespread need for governmental assistance — the welfare state or, as it is also called these days, often contemptuously, socialism. The irony there is that it is the monopolists, whether themselves or through their spokespeople, who decry socialism most loudly and widely, to the very public that they prey upon.

Like the railroads, the mid-band is a conduit. Like transportation, data transmission is a crucial flow. The conduit may have changed, but our need has not. We have to oversee the flow-keeper.

BOOM OR BUST (CONT.)

There are two basic subsidies to land values: fiscal and monetary. Fiscal policy is about governmental revenues and spending. When governments spend to provide public goods, e.g. streets, security, and schooling, there are two beneficiaries. First are the people who use the goods. Second are land owners. The people who use the goods pay double: first in taxes, and then in higher rentals and real estate prices.

Public goods make locations more productive and more attractive. The greater demand to be located there increases the land rent and land value. The governmental spending is mostly from taxes on labor, goods, enterprises, and trade. Owners of real estate receive greater land value and rent from the public goods paid for mostly by others. That fiscal effect, the increase in land value from public goods, is the "mother of all subsidies". It is little recognized because the subsidy is implicit, in the form of higher rent and land values rather than in explicit money.

The monetary subsidy to land values is artificially cheap credit. The expansion of money by central banks such as the Fed, the federal reserve system, reduces the interest rates paid by borrowers. Much of bank lending goes to the construction and purchase of real estate. The low interest rates set or targeted by the Fed help fuel a real estate bubble.

The supply of land, within some boundary line, is fixed. We can't import land, nor are there any land factories to produce more land. Thus when the economy grows, greater demand raises rents and land values. The problem is that speculators jump in to buy real estate, hoping to sell it at a higher price.

Low interest rates enable buyers to have high leverage.

Suppose one pays $10,000 down to buy a $100,000 plot of land. Its price rises to $110,000. The speculator soon sells it, and gets $20,000 minus the interest and taxes paid, say $3000 on a 3% mortgage loan plus $2000 in taxes. That's $15,000 minus the $10,000 down payment, for a profit of $5000. The gain is a profit of 50% of the down payment.

Land speculators, acting on price momentum, take land prices to a level beyond that which homeowners can afford, and beyond which enterprises can be profitable. Land values stop rising, construction halts, and enterprises that provide raw materials, as well as durable goods, grind to a halt. Loans default, the financial system crashes, and the economy plunges into recession. This is what happened to the boom that ended with the depression of 2008 - a pattern that has occurred in cycles with an average period of 18 years since the early 1800s. Every major depression has been preceded by peaks in real estate prices and construction, with one exception: the depression of 2020.

Gross domestic product (GDP, or total output) fell by 5% in the first quarter of 2020 and by 31.4% in the second quarter. The economy was in a depression. A good signal of the boom and bust is gross private domestic investment, which includes construction and the production of durable goods. Such investment fell by 9% in the first quarter, and by a whopping 41.6% in the second quarter. The economy began to recover in the third quarter. **(Cont. Page 9)**

MUNICIPAL LAND TRUST (CONT.)

Land rent is typically about 6% of a property's land value and increases 2% annually on average. Because land's rental value is created by the surrounding community and is thus "common wealth," it should be shared equally. So increasing land rent can be used to provide an equal land rent credit to the homeowners. Under the proposal, homes at any price range could be part of the trust, not just lower valued homes.

In addition to making homeownership more affordable, other benefits of an MLT include:

Reduced foreclosures. Because the prices of the land value portion of properties are more volatile than those of the building portion, financing only the building results in reduced foreclosures. Studies show that land trust homes have lower foreclosure rates than homes with conventional mortgages. **Communities benefiting from land values.** When land values increase, it is because the community in which the land is located has added value to the land. Land rents reimburse the community for increased land values rather than allowing land speculators and banks to profit from buying and selling it. **Protection against displacement.** An MLT protects against displacement pressures by providing the opportunity for low-income households to purchase homes and by providing an equal rent credit from increasing land rent. An MLT could provide more democratic control over future land uses.

An earlier, more limited study of the approach (summarized in the chart below) showed, intriguingly, that properties of above-average value paid more in land rent to the trust than they would in property taxes, but would still be paying less overall because the land portion wasn't being financed.

CURA's feasibility report, which looked at property data broader than the earlier study, confirmed this result and shows that the trust could be self-sustaining, i.e. the higher land rent paid by higher-valued properties in the trust enables it to pay the property taxes of all the homes in the trust.

CURA's report also explored various ways in which an MLT could be expanded such as:

Initiation by Home Buyer: Home buyers could approach the MLT when they want to buy a property and have the trust assume title to the home's land while the home buyer would assume title to the structure.

Deed Restrictions: In exchange for the City's financing of down payment assistance, rehab loans, etc., a deed restriction could be placed on the benefited property that obligates land rent payments to the MLT in lieu of property taxes.

Defunct Golf Courses or Buildings: With closed-down public golf courses or similar properties, the City could transfer the properties to the MLT, which would then lease the land portion of these properties out while home buyers would acquire title to any structures on the site.

Properties in Loan Foreclosure: Homeowners who are at risk of a foreclosure could sell the property to the MLT, which would retain title to the land and sell back the improvements on the land to the homeowner, thus allowing the homeowner to continue to stay in the property and avoid loan foreclosure.

Tax Forfeited Land: The City could transfer tax-forfeited properties to the MLT, which would retain the title to the land while a homebuyer acquired title to the structure.

"Single tax communities" such as Arden, Delaware have existed for over 100 years. In them, homeowners have title to house structures but rent the underlying land from a trust, which uses the collected rent to pay for the communities' public services and to pay for the homes' school and county property taxes. MLTs would allow cities across the country to use a similar approach in a piece-meal way, resulting in increased housing affordability and stability.

CARBON TAX (CONT.)

Canada legislated a $15 USD charge per ton of CO_2 in 2019. It increases $8 per year, rising to $140 per ton by 2030. The revenue is returned to citizens as a dividend - low emitters rebated more than they paid in, high emitters paying more than their rebate.

As the world emerges from COVID-19 lockdowns, there are fears of a jobless recovery. A carbon charge reflecting the externalized costs of long-distance cargo will kickstart local manufacturing. Local self-reliance in basic goods and services will, in turn, spur local spinoff industries, the multiplier effects creating jobs.

CO_2 levies will shrink the wealth gap without resorting to politically fraught wealth or estate taxation. Everyone — rich or poor — will be incentivized to reduce emissions without disincentivizing ambition or wealth creation.

A price on carbon sends planet-friendly feedback to manufacturers, fund managers and stock brokers. Like coal drove the industrial revolution, so clean fuels and clean electricity are driving the green industrial revolution. Solar panels, wind turbines and geothermal energy will power clean production, heat pumps, fuel cells, electric vehicles, boats and planes.

While emergency monetary stimulus had been needed to float businesses and citizens during the COVID pandemic, there is consensus that the taps must soon be turned off. It is also evident that rock bottom interest rates, which have superheated real estate and bond prices, must be raised.

However, since central bank monetary policies appear to be increasingly ineffective, pressure is mounting for governments to enact fiscal policies. Aggressive carbon pricing, along with rental value capture of land and **(Cont. Next Page)**

CARBON TAX (CONT.)

resources, are examples of elegant market mechanisms which can address the twin challenges of climate change and re-starting economies post pandemic.

The genius of rental value capture is that it's hands off the economy, rental value capture collects unearned income not earned income. It doesn't discourage any business activity—"good" or "bad", climate damaging or climate remediating.

Oil and coal fields are monopoly leased or owned and therefore can charge above their cost of production. The magic of emissions rental capture is that it creates a level playing field between the fossil fuel economy and the job-rich efficiency, renewables and conservation industries. Pricing carbon removes the super profits from the fossil energy spreadsheets, giving renewables and conservation the fair chance they deserve.

BOOM OR BUST (CONT.)

This drop in output, investment, and employment was not caused by Covid-19, but by the economic policy that responded to the pandemic. If the response to the virus were treated as a war,enterprises with lost revenue due to the lock-downs would have been compensated. Though shut down, if the enterprises received relief for their losses, they would have had output in the form of fewer infections due to not spreading the disease. The public does not get consumer goods, but consumes protection from attack.

With compensation, there would have been no recession. Enterprises would have gotten revenue, enabling them to keep and pay their employees as well as to pay rentals, mortgages, and taxes. This was a policy-caused recession.

Normal recessions are also policy-caused. The subsidies of cheap credit and rent-raising public goods induce an unsustainable boom, followed by a bust. The only remedy for the cycle is to eliminate the cause, the subsidy to land value. The fiscal subsidy is to have landowners pay back the increase in the land rent. Ideally, a land value tax would replace taxes on buildings, goods, labor and trade. As to the subsidy of cheap credit, the remedy is a market-based interest rate that would reduce the leverage of speculation. A tax on most of the land value would eliminate the gains from land speculation.

Both GDP and investment increased in the third and fourth quarters of 2020. So, when will the current growth will peak out and then crash? Some real-estate economists believe that the 18-year cycle that began in 2008 will end in 2026. That was my analysis prior to 2020. Now, with some part of real estate still down (for example, rentals in some big cities) while house prices have risen, the restructuring may start a new cycle in 2021.

Many folks have been vaccinated and are gathering. The government has provided trillions of dollars in relief. The economy has already started to rise again. Subsidies to real estate are intact, guaranteeing that there will be another major recession and depression. Watch gross private domestic investment as a leading indicator. Policy continues to treat the symptoms rather than eliminate the cause of the economic boom and bust.

NY ECONOMY (CONT.)

Taxing virtually anything has the effect of suppressing demand and/or prompting avoidance behaviors. Not so with land. Unlike almost everything else that is bought and sold, the quantity and quality of land is essentially fixed (and few places in the world manifest this reality as starkly as New York City). Finally, unlike investments and earned income, land cannot be hidden or moved out of the taxing jurisdiction. In fact, by creating a Fifth Class and imposing higher taxes on land, affected owners are incentivized to do the right thing, to develop their properties so they warrant the larger tax bills, or sell them to someone who will. Either way, New York gets much needed funding and neighborhoods get to bid goodbye to local eye sores.

By now this idea may be sounding a little too good. If in fact, it is such a great idea, why hasn't it been done before? It has. In New York City, in fact. A bill sponsored by NY State Assemblyman Herman Farrell and signed into law in 2008 led to the creation of a small pilot program to test the viability of the Fifth Class idea in Manhattan. The program focused on residential properties north of 110th Street, and subsequent tax revenue gains (about $5M annually), and productive land reuse, were quick to follow. The program still exists, but its revenue gains have diminished over the years as more and more properties are improved, and as a result, returned to one of the City's 4 main tax Classes. NY is not alone in testing these waters. Washington D.C. has had an analogous approach to taxing vacant real property since 2010, and the effects have been similarly positive. No matter how promising, the creation of a Fifth Class in the New York City property tax system is just the beginning. As the existing NYC and DC experiences have demonstrated, tax revenues will increase in the near term and vacant and blighted land will be sold and improved, causing the Class Five tax base to shrink as parcel after parcel is reclassified according to its new use. In short, Class Five is designed to go extinct, having stimulated redevelopment of blighted and underused properties.

What comes after Class Five? Local politics could lead in any number of directions, but with the precedent of taxing land in place, perhaps a true land value tax – one that fully shifts the tax burden away from improvements and onto land – might be on the horizon for New York City. The idea is not new, but it is receiving renewed interest from a younger generation of politicians and policy wonks who see the inequities created by the current system and recognize a land value tax as a viable alternative. For now, though, the creation of a Fifth Class in the property tax system would go a long way toward creating an economically and socially healthy City, no matter long COVID and its aftermath lasts.

Rhetorically and ideologically, the problem George describes is familiar. Many of the most ardent free traders embraced laissez faire principles throughout the economy, and their distaste for tariffs was matched by a broad opposition to any government – or organized labor – interference in the economy. George lays out this problem quite clearly:

"The opponents of protection have, for the most part, not only professed no special interest in the well-being of the working-classes and no desire to raise wages, but have denied the justice of attempting to use the powers of government for this purpose. The doctrines of free trade have been intertwined with teachings that throw upon the laws of nature responsibility for the poverty of the laboring-class, and foster a callous indifference to their sufferings… While protesting against restrictions upon the production of wealth they have ignored the monstrous injustice of its distribution."

This is, sadly, a deep problem within Liberal thought. Classist beliefs about the poor and a Malthusian perspective on demographics guided many early economic liberals to assume that the cause of poverty was rooted in the behavior of poor people themselves, either their anti-social tendencies or simply their reproduction.

Here, 20th century free traders in many ways followed in the disastrous footsteps of their 19th century forbears. Internationally, organizations such as the IMF that are dedicated to maintaining the global economic system, including advocating for freer trade, also too frequently stand by an orthodoxy that demanded countries receiving aid conform to their strictures on privatization and austerity.

George's approach is different – from the beginning, he sets out the goal of his exploration as determining the impact of free trade on wages, particularly the wages of workers who do not have the protection of unions or the advantage of hard to hire skills. This focus, coupled with George's accessible text – sprinkled with folksy metaphors ("Protection creates work like rain on his hay creates work for the farmer") – and 'man on the street' anecdotes – make a sharp contrast with the technocratic, statistics heavy style of many free trade advocates. Most importantly, George provides an explanation for the continued poverty in free trading countries (Britain especially) that does not hinge on blaming the victims of that poverty.

In George's telling, the British working class continued to suffer from poverty and periodic unemployment despite the increased wealth brought about by free trade because they lacked a viable 'fall back' position from paid employment. Because agricultural land was owned primarily by a small upper class, with most common land that had helped sustain independent farmers in previous generations firmly enclosed, workers were forced to seek industrial employment.

PROTECTION OR FREE TRADE (CONT.)

There, land ownership and the growth of monopolies in manufacturing, shipping, and railroads conspired to keep wages barely above rents, even as expanded trade and exports enriched a few beneficiaries. In this narrative, poverty is not caused by poor habits and 'anti-social' behavior but rather the reverse: a lack of prospects and the struggle for survival give rise to those behaviors. American workers manage to earn higher wages than British ones, then, because they have greater access to an independent living on free or cheap land – but this circumstance, George warns, is rapidly changing. He also specifically addresses accusations that the Irish in particular suffer from poverty because of their Catholicism, a narrative popular both in England and among American nativists – a point which, beyond appealing to his Irish Catholic wife, had relevance for George's political activism, which hinged on support from the politically well-organized Irish-American community.

Free traders today do not face precisely the same partisan challenges, but the ideological and rhetorical ones are just as acute. In the US, free trade has found advocates (and some opponents) in both parties. However, much like the 19th century Democrats, free trade proponents – and particularly the organizations that look to expand their agenda, like the WTO – have found themselves under attack from a wide range of activist groups, running the gamut from right wing conspiracy theorists to environmentalists and racial justice activists. Blunting this opposition requires that free traders explain the contribution of government privileges to the persistence of inequality, and to endorse policies that will actively reduce poverty rather than expecting the rising tide of free trade to float all boats. They must, in other words, take a "special interest in the well-being of the working-classes".

This dedication to making free trade work for the working class is crucial because elite opinion cannot sustain free trading policies forever in the face of opposing public opinion. And shifting the course of public opinion will require a change to actual conditions as well as rhetorical re-orientation. Too often, as George alleges, "All [free trade advocates] can promise the laborer is that production shall be increased and many commodities cheapened…And when confronted by the failure of revenue reform to eradicate pauperism, the free trader of this type can make no answer that will satisfy the questioner." George devoted his career to finding answers to that question and rallying people – especially in the working class – to reform what he saw as the root problems.

PROTECTION OR FREE TRADE (CONT.)

For George, the answer to the question of continuing poverty in the face of advancing wealth is multi-faceted: he describes a series of robbers who steal from the wages of the working class, starting with tariffs and including monopolies and corruption, but finally ending with land rents, which will take whatever is left over from the other robbers.

George's argument is compelling – and on at least a local level, readily observable. So-called 'superstar' cities in the US, including San Francisco and New York City, have experienced tremendous growth, much of it related to globalization and the expansion of the digital and 'knowledge' economies. But the higher productivity has led to skyrocketing land values and rents, while leaving levels of poverty, especially adjusted for taxes, transfers, and cost of living, still at high levels.

George's solution – replacing taxes on productive activities and built property with taxes on land values – is an avenue free traders and other economic liberals would do well to explore. Even for those who find that answer insufficient or unsatisfactory, however, there is much to learn from George's defense of free trade.

GUEST PERSPECTIVES

WE NEED TO TALK ABOUT LAND

BY: MANU DELGADO-MEDRANO

Whether we are aware of it or not, land and the market for land are at the core of many of the most intractable problems we are facing today as a society. Increasing poverty, inequality, and social exclusion can be squarely traced back to the enclosure and commodification of land, processes which in turn have led to the hoarding and rampant speculation that are now making housing inaccessible for an ever-increasing number of Americans.

At the core of this dilemma is the fundamentally misguided role we have assigned to land in our society: rather than treating land as a public good to be shared and stewarded by communities for the betterment of society, we treat it as a commodity to be used for the benefit of private individuals. We have enclosed land and subdivided it into millions of tiny monopolies that rather than benefiting society as a whole, bestow upon the possessors sole stewardship, unearned income, and unwarranted wealth.

The Unique Nature of Land

Treating land as a private good would not be problematic if it were an ordinary good. But land is not a normal good, it is a unique and fundamental resource.

First, land is not only scarce but unlike computers or apples, it is also finite. Yes, in theory, we could create floating islands on which to live or produce, but, at least in the short term, this is not financially or technologically feasible at a meaningful scale. We are stuck with what we have and it is not quite that much: inhabitable land represents only 12% of the total surface of the planet.

Second, land is essential for life. All human beings — and all terrestrial creatures for that matter — need land for our very survival. Land is simply indispensable. We use land for producing most of our food, for our shelter and housing, and for producing all other essential and nonessential goods and services that are basic to our way of life.

Third, land is not easily substitutable. When it comes to housing, for instance, most of us are not willing or able to live on a boat or to forgo housing altogether: we need housing to protect ourselves from the elements, for personal safety (physical and psychological), and to safeguard our possessions.

By virtue of land being both vital and having few viable replacements, land is also a highly inelastic good. This means that no matter how much the cost of land increases, because it is a basic necessity, our consumption of land cannot fall by much. In practice, this means that with increasing prices we are all stuck paying more for land, even if that comes at the expense of the consumption of other goods and services.

For landlords, the inelastic nature of land is a blessing, for it allows them to increase prices as demand rises even when wages do not keep up, as has been happening for the past fifty years. For those who rent, those who are in the market for purchasing a home, or who require land for any activity whatsoever, the inelasticity of land is a curse — ever scarcer, ever more concentrated, the cost of land only goes up, stripping from the vast majority of individuals in our society a greater share of their income.

FULL SPRING AHEAD

BY:CPTR STAFF

We are continuing our efforts with candidates for New York City Council and in the Mayoral race as primaries approach in June. We've advocated for Land Value Tax (LVT) to campaigns like Dianne Morales who actively includes LVT in her discussions and the Andrew Yang Team who find interest in LVT funding a Universal Basic Income (UBI). As our efforts continue, we are expanding conversations with advocates and public officials in Charlottesville, VA, San Juan, Puerto Rico, and in upstate NY. We are looking forward to an eventful Spring ahead!

RENTS FALL, SUPPLY DECREASES: THE SECRET LIFE OF HOW THE BIG DOGS ROLL

JOSHUA VINCENT CO-DIRECTOR, CENTER FOR PROPERTY TAX REFORM

Not everyone will agree, but I'll say it:: synthesizing the market and planned economics to produce economic strength is the quickest path to economic and political empowerment for all people, especially traditionally marginalized cohorts such as women and immigrants. When liberalism made "peace" with markets, prosperity and liberation ensued. But, "left and right" has lost most of its descriptive punch since the French Revolution.

So, what? So, after COVID, civil fissures, and disgust by the people, plenty. Let's visit New York City which is still reeling from the effects above.

Landlords Miss Paper Bags Full of Money
In NYC, we can't ignore the steep fall in commercial values in 2021. The reckoning became clear even before Covid, as online commerce changed the landscape. The financial sector were stalwarts of NYC commercial real estate, but that began to slip in 1987, thanks to overbuilding on speculative properties! Same with the dot.com crash in 2000 and the economic debacle of 2008. After 2008, New York City barely had time to digest that oversupply. Covid doesn't follow any known economic cycle, and people are losing their heads.

The crisis comes at a time when sales and prices in the luxury market were already under pressure. "It's not like New York City is all of a sudden on sale. New York has been on sale for the past 24 months," said Tal Alexander, a luxury agent with Douglas Elliman.[1]

Yes, a big slice of speculative value will disappear in a few years. Yet, the actual brick-and-mortar surplus will be with us for years. Pulling apartments out of the marketplace, limiting supply while many people can't get housing is one of two things: a savvy business practice or a cynical attempt to bid up rents in an environment with too much inventory. Suppose the owners abandoned that kind of thinking by supplying what the market needs. The outer boroughs and Manhattan can fill up existing housing and apartments with just the people that NYC needs: strivers, immigrants, the marginalized, and, in essence, people with an idea.

The supply is there in the shadows. Relatively sober financial advisors think it's an excellent time to snap up properties because, in the billionaires; game of real estate, the door is slightly ajar.

"But those barriers have come crashing down – and now it's possible to build REAL wealth through real estate at a fraction of what it used to cost, meaning the unfair advantages are now available to individuals like you."
It's reasonable to believe that holding back properties is not a mug's game: it's hard to deduct rental losses on your current tax returns,. But, the magic phrase "loss forward" shows you can toss the disaster from 2021 into 2026 or beyond.

AND, in the case of New York City, depreciation is whack! Interestingly, for those who care about land and land use, depreciation helps the big dogs that roam New York, those Invested for the long haul. Ironically, one cannot depreciate land on taxes.

"Average" people and the progressive reformers are dealing with necessities: how do they repair and unleash the long-subsumed economics of neighborhoods and localities? This organic system to the margins by decades kowtowing to the high rollers with abatements, oh-so-sweet lending rates, and the "how can this be legal?" practice of hiding the actual ownership of land or condos. A law designed to make public the existing owners of an LLC was brutally stomped by the aforementioned big dogs. You'd need a Nancy Drew to follow the clues.

Most of the neighborhoods we are trying to help rebuild, hrived with local building and loan associations, which are now almost extinct. People like NY State Assemblyman Ron Kim, who is of South Korean descent, would recognize the measurable success of making money-capital available locally. Like your local farmers' market, your community's produce should be grown and raised in the community.

New Yorkers who were immigrants or migrants in the early part of the twentieth century bought and sold to neighbors and worked in local enterprises that made a profit. It was a special day when somebody from Queens went into Manhattan except for social activities, educational desires (the museums), or the Garden. The new spirit of "bringing it all back home" acknowledges the need to maintain local control, local financing sources, and creating local jobs.

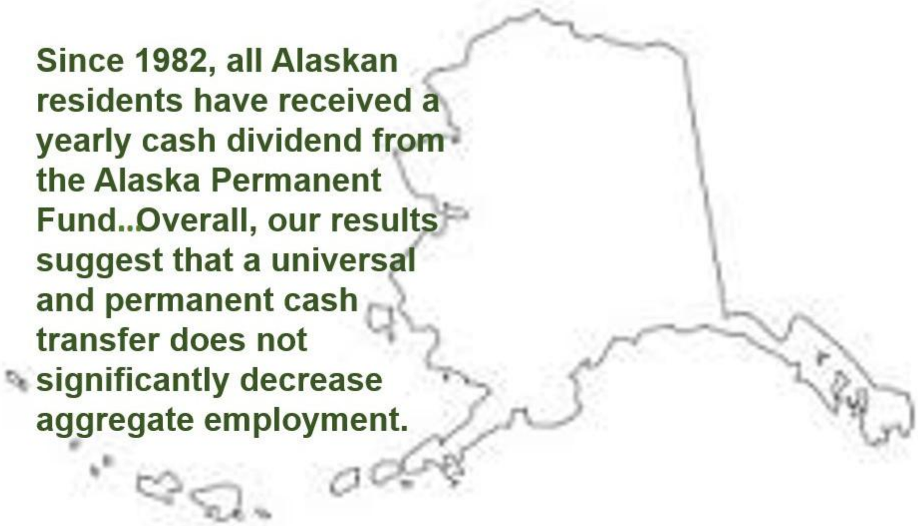
Let the condos rot and let a thousand bodegas, co-op apartments, and barbershops bloom.

Join us for a virtual book launch celebrating the release of *The Annotated Works of Henry George: Protection or Free Trade* (Vol. IV) at **9 a.m., Thursday, June 3.** The event will include a discussion of the book by its editors and a special keynote by a renowned expert in free trade. Register for the FREE event at **www.centerforpropertytaxreform.org**

BOOK RELEASE

JUNE 3, 2021
7:00 PM EST

Celebrating the Newly-Published:
The Annotated Works of Henry George:
Protection or Free Trade, Volume IV



Since 1982, all Alaskan residents have received a yearly cash dividend from the Alaska Permanent Fund..Overall, our results suggest that a universal and permanent cash transfer does not significantly decrease aggregate employment.

Jones, Damon and Marinescu, Ioana Elena, The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund (February 5, 2018). Available at SSRN: https://ssrn.com/abstract=3118343 or http://dx.doi.org/10.2139/ssrn.3118343

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