

FEBRUARY 2021, VOL. 17

# RSF DIGEST

NEWSLETTER OF THE ROBERT SCHALKENBACH FOUNDATION

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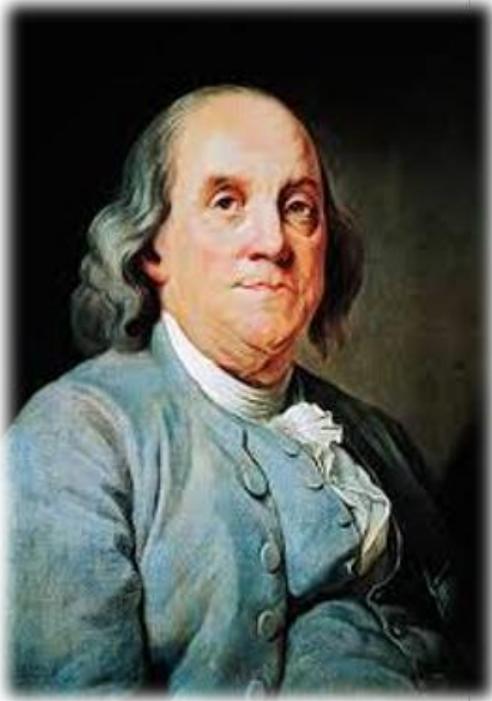


The Robert Schalkenbach Foundation (RSF) is a private operating foundation, founded in 1925, to promote public awareness of the social philosophy and economic reforms advocated by famed 19th century thinker and activist, Henry George.

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.

## Property Tax Classification:

*(noun) The grouping of properties based on similar use. Properties in different classes are taxed at different rates. Examples of property classes are residential, commercial, industrial and vacant real property.*



Friends and neighbors complain that taxes are indeed very heavy, and if those laid on by the government were the only ones we had to pay, we might the more easily discharge them; but we have many others, and much more grievous to some of us. We are taxed twice as much by our idleness, three times as much by our pride, and four times as much by our folly.

Benjamin Franklin

# FEBRUARY 2021: A FLURRY OF ACTIVITY

BY JOSIE FAASS, EXECUTIVE DIRECTOR

As a Florida native, winters in the Northeast continue to be a bit of a struggle for me, and no month gives me the cold weather blues quite as much as February. What it lacks in calendar days, February makes up for with its zeal for massive snowstorms (one is raging outside my window as I write this), paucity of sunshine, and unnecessarily long, impossibly dark nights. My approach to Februaries generally involves a lot of hot coffee, big sweaters, and baking...mostly cakes, but cookies, biscuits, and breads are often in the rotation, as well.

This February, however, will look a little different. The coffee, sweaters, and treats remain (a girl's gotta have some comforts!), but there's simply too much happening at RSF to spend a lot of time lamenting the cold, dark, dreariness of it all.

For starters, the Center for Property Tax Reform is hosting its first-ever webinar on February 23rd at 1:00 pm EST. The event, which we're organizing with our partner organization, 5th Square, will bring together a variety of tax experts and local elected officials to discuss the implementation of a land value tax in Henry George's hometown of Philadelphia. We'll talk a little history (LVT isn't new to the Philly discourse) and get locals' perspectives on the viability of this policy for the City of Brotherly Love. Of course, we'll rely on our very own Tax Shift Explorer tool to take participants on a guided tour of the City and explore what a land value tax would look like on the ground. I hope you'll join us for this exciting event and invite your friends, family and colleagues - it's free, so the more, the merrier!

We're also beginning a new mapping project designed to give insights into who really owns our cities. Using publicly-available tax data, we'll build a map that will enable anyone with an internet connection to identify who's local, and who's not in a variety of U.S. communities. Why does this matter? Because all too often, money gets parked in land by speculators who have no real connection to the community - and no interest in bettering it - but are just hoping to buy low and sell high. The result is predictable: disinvestment, blight, decline...none of which are good for our cities and towns.



*My front yard with another 10 inches predicted to fall..*



*Letter from*  
*The Executive Director*



*My boys in a nighttime snowball fight.*

Our library project is at an exciting point: we're buying shelves! Admittedly, this may not sound too exciting, but with all of our holdings now sorted and catalogued, putting them on shelves is the next step towards our goal of creating a new Georgist library at our Princeton location.

And finally, we're taking the initial steps towards formulating a scholarship program as part of our educational offerings. This is no small task, and in addition to all of the legal hurdles we'll have to surmount, there's the matter of ensuring our program advances our organizational mission and raises awareness of the ideas of Henry George among the next generation.

So, while February may not be my favorite, I'm very much looking forward to what the month has in store at RSF. And if you'd like even more information about what's happening at the Center for Property Tax Reform, check out the new section of this newsletter, "The CPTR Corner" to learn more about what staff is working on now and what is on the horizon.

# DIRECTORS' PERSPECTIVES

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

## LVT, MMT, UBI & BTC: THE ALPHABET SOUP OF ECONOMICS

BY: FRANK DE JONG

Macroeconomics has remained substantially unchanged since 1971 when gold and the dollar were uncoupled. Whether this pivotal change in the early 1970s was the end of economic sanity or the beginning of a great era of prosperity is a matter of opinion. In any case, half a century later, change is upon us.

There isn't an economist breathing who doesn't agree that the one-two punch of the 2008 mortgage crisis and the COVID-19 pandemic have rocked, if not cracked, the foundations of conventional economics. These momentous events have opened the canopy for new ideas.

Four transformative ideas are now putting economic theology through its paces: Land Value Taxation (LVT), Modern Monetary Theory (MMT), Universal Basic Income (UBI), and Bitcoin (BTC). Let's examine why.

**LVT:** Job losses and bankruptcies have reduced tax revenue to the point that new sources are being explored. Governments will increasingly be forced to replace taxes on jobs, businesses, and sales with rental value capture. The German state of Baden-Württemberg has recently moved to land value taxation.

**MMT:** Government expenditures need not be, nor should they be, balanced off against tax revenue. Economic health is best achieved by injecting liquidity into under-performing economies and removing it from overcapacity economies, ignoring deficits and debt.

**UBI:** The problems of increasingly precarious employment, robotics, and the high cost of administering support programs



can be cost-effectively addressed by implementing a basic income or citizen's dividend like the successful and popular Alaska Permanent Fund.

**BTC:** Computer money doesn't require "trusted third parties" to facilitate transactions. Block-chain technology solved the Byzantine Generals Problem and has now begun releasing people and businesses from the whims of central banks, chartered banks and governments.

Interestingly, these four disruptive ideas are complementary and symbiotic.

- While MMT releases national governments from double entry booking, LVT suggests that liquidity is best removed from an overheated economy by capturing economic rent rather than by deadweight taxes on jobs, business and sales.

(Cont. Page (6))



"Final freedom from the domestic money market exists for every sovereign national state where there exists an institution which functions in the manner of a modern central bank, and whose currency is not convertible into gold or into some other commodity."

- Beardsley Ruml

Chairman of the Federal Reserve Bank of New York  
In an essay entitled "Taxes For Revenue Are Obsolete" (1946)

# DIRECTORS' PERSPECTIVES (CONT.)

## BENEFITS OF LAND VALUE TAX ON NEW YORK AND OTHER MAJOR CITIES – PART 1

BY: LEE HACHADOORIAN

In the United States, no major cities have land value taxation (LVT), although a number of cities in Pennsylvania (including Allentown and Harrisburg) have a two-rate property tax. But political economist Henry George ran twice for mayor of New York in the late 19th century, hoping that capturing the mayoralty of the greatest American city would help spread land value taxation across the U.S. and around the world. Instead, we got Robert Moses. And New York's major urban policy export of the 20th century became "urban renewal" in the form of superblock apartments and highways driven through the hearts of cities.

Is New York City now ripe for LVT or two rate taxation? The question arises as New York is once again discussing problems with inequities and inefficiencies of its unusual four-class property tax system. The four-class system was created in response to a 1970s lawsuit by commercial property owners regarding heavier assessment of commercial than residential property. The new system, which went into effect in 1983, locked in the disparity between commercial and residential property, while at least requiring proper valuation of the properties before applying different assessment ratios.

One odd feature of the four-class system was to separate owners in large multifamily buildings—cooperative or condominium owners—from owners of small residential properties, with different assessment ratios and different valuation systems for the classes.

Class 1 (1-3 family buildings) is valued using comparable sales, and has an assessment ratio of 6%. Class 2 (multifamily buildings, both rental and ownership) is valued based on potential rental income—even if the units are owner-occupied—and has an assessment ratio of 45%. The result is that Class 1 properties pay a net effective tax rate of 0.77%, while Class 2 properties pay 1.3%. A significant concern is that extremely high value condos/co-ops are difficult to accurately value using the income

method, leading to penthouses in high-end buildings selling for more than the official assessed value of the entire building.

Land value taxation offers a host of benefits. How would land value taxation work for New York City, and how would it impact the city's residents? If New York were to implement LVT or two rate taxation, this would mean higher taxes on land, and lower taxes, or no tax, on the buildings that sit on that land.

Increasing the tax on land would increase the holding cost of vacant land and spur its development. Reducing the tax on buildings would remove the disincentive for construction and property upkeep. Based on the experience of Pennsylvania cities with a two-rate property tax, New York could expect an increase in construction and development.

New Yorkers might immediately wonder how this will change the city, and how it will impact its residents. After all, isn't rampant development increasing housing costs in gentrifying neighborhoods? Isn't New York already short on open space, and why would we want to build on what little open space we have? Who is the burden going to fall on? Aren't property taxes regressive? How would this affect low-income homeowners? How would it affect elderly homeowners? **(Cont. Page 6)**

## GETTING SOMETHING FOR NOTHING

BY: BILL BATT

Television ads these days are constantly urging us and reminding us to avail ourselves with all that we can get for the asking. Actors, athletes, politicians, and anyone else with a name to sell, can vouch for bargains too good to be true! It's not just that they're free; we're actually entitled to them! Medicare and Medicaid just ask us to sign up. Old Jets quarterback Joe Namath tells us to "make sure you get all that you're entitled to."

Remember "the dole," once viewed disparagingly as the path of "freeloaders," too lazy or unresourceful to find gainful employment? Today, there are many other paths to fortune not to be overlooked: the bonuses for life and auto insurance, the extra months for subscriptions at no extra cost, and the two-for-one sales on grocery items goading us to buy more than we need.

There are also the money-back inducements offered on credit cards – buy all you want this month and earn a discount on your payment next round. Let's not forget the increasing number of lotteries inviting our participation. **(Cont. Page 7)**



# DIRECTORS' PERSPECTIVES (CONT.)

## RESPONSE TO STATE SENATOR ERDMAN'S, "NEBRASKA'S TAX SYSTEM NEEDS FIXING"

BY: FRED FOLDVARY

### OP-ED

State Senator Steve Erdman's "Nebraska's tax system needs fixing" was published in the Star Herald, January 23, 2021 and there are a few points worth addressing.

Erdman begins by asserting that the property tax, among others, is bad, Nebraska being the "seventh worst state." This begs the question of which is the best, or least-worst, tax. I agree that "Nebraska's tax system needs fixing." The question is, how best to overhaul the state's tax system?

Erdman's proposed legislation would repeal the state income tax, the state sales tax, the state inheritance tax and all property taxes, and replace them with a consumption tax, which would actually be a sales tax that exempts used goods. It is called the "EPIC Consumption Tax Act," meaning the Elimination of Property, Income and Corporate taxes.

In economics, "consumption" means the using up of economic value. If one buys firewood and then burns it, the fire uses up the wood, thus using up its value, assuming the ashes have no value. Why tax this using-up? Consumption is the purpose of an economy. To live, and live well, we consume goods such as food, utilities, transportation, housing services, and energy. To tax this using-up of value is to destroy the very purpose of the economy!

Taxing production is also bad, since the purpose of production is consumption. So, if we should not tax production or consumption, what should we tax? We should tax what human beings do not produce: natural resources like land, which includes space and natural materials. Many states tax the extraction of oil, coal, and minerals, a tax known as a "severance tax." As to space, real estate consists of buildings and spatial land. The property tax on the buildings is indeed a bad tax, but a tax on land value is actually beneficial, as it promotes the best use of land.

Erdman's consumption tax would be levied on services and new goods, and not on used goods. So, it is not a tax on all consumption. If you buy a new car, it would be taxed. The consumption of a car is its annual depreciation. If you buy a used car, it has been partially consumed. Thus, if you pay a tax on the new car, which you then sell, the tax is not on the full consumption of the car, but on the purchase – like a sales tax.

Erdman says this consumption tax "is the one tax that the taxpayer can control." If you don't like a tax on food, don't eat. If you don't like a tax on fuel, don't drive or ride. But contrary to this proposition, there is another tax that one can control: the property tax. If you don't like paying a tax on real estate, don't own a house. However, we all need to eat, and we need utilities such as water, so we don't have much of a choice in such necessities.

An advantage of a consumption tax, says Erdman, is that it "ties government taxation to the economy." But so does a tax on income, as well as a tax on land value.



Similar to a proposal for a national sales tax, misnamed the "fair tax," EPIC would provide "a monthly allowance or pre-bate, which covers a person's consumption taxes up to the federal poverty level." There is already a similar system in the income tax, in which low-income workers receive a tax credit, and if their income is so low that they pay no income tax, they receive a negative tax, i.e. a payment. This allowance would, in effect, be a basic income to all residents, a good idea even with no sales tax.

Erdman claims that "The consumption tax would make Nebraska the envy of the nation!" That reward now goes to New Hampshire. That state has only a limited sales and income tax, and relies on the property tax. New Hampshire would do even better if its property tax was only on land value and not on the value of buildings.

A sales or consumption tax reduces consumption and increases the cost of living. A consumption tax indirectly taxes wages and other income that are used to pay for consumption. We should examine why we would seek to tax the very purpose of an economy, when there is a better alternative: land value. Since tenants already pay rent to their landlord, a tax on land value would not fall on renters if the landlord is already charging what the market can bear. If the landlords raised the tenants' rental beyond this, they would be stuck with vacancies.

Taxes on production and consumption create a "deadweight loss," a waste of resources by reducing the amount of production and consumption. Since the amount of land is fixed, a tax on land value or rent has no deadweight loss. The replacement of other tax with a tax on land value would therefore increase production, consumption, and growth.

Most land value is in the cities, so farmland would not be burdened. An efficiency tax shift could be designed to avoid burdens to existing owners of real estate. Farmers also pay taxes on income, goods and improvements, so many would see a tax reduction. Tax reform should be a comparative systems approach – look at all options to select what is best. Economists from Adam Smith to Milton Friedman have concluded that a tax on land value is the best. Nebraskans, and all others, should take heed.

# DIRECTORS' PERSPECTIVES (CONT.)

## ALPHABET SOUP (CONT.)

- As pandemic-related job losses accumulate, it becomes obvious that a UBI is fair, efficient and doesn't make people lazy. It should become permanent. LVT can fund UBIs without resorting to economy-damaging taxes.
- Impotent interest rate policy has central bankers on tenterhooks. Wreckless quantitative easing (QE) is gushing into asset prices making the Gini coefficient go parabolic. As if on cue, BTC has become digital gold and is serving as a global currency immune to central bank devaluation. The existence of BTC discredits chartilism.
- LVT captures the societal surplus which UBIs then distribute to all, denying asset holders unearned windfalls. LVT collects the rent for the global commons which rightfully belongs to all as a condition of citizenship. Economic rent is a natural UBI.
- MMT calls for QE until full employment is achieved. Taxes are a deflationary tool rather than a revenue source. LVT drains liquidity traps (land and resources) and uses recovered QE to finance infrastructure, making it self-financing.
- Under MMT, government deficits mean private surpluses while government surpluses cause recessions. LVT deflates asset bubbles while UBI can distribute this unearned increment nationally and globally, delivering monthly payments via BTC to the banked and unbanked alike.
- BTC would serve as a superior global reserve currency, extending this massive benefit to all humans. Everyone will benefit financially when the unbanked are included in the formal economy. Polluter pay legislation (LVT) collects the rent of the global commons which is best shared globally (UBI) using BTC.

- MMT debunks the arguments that concern over inflation and recessions forces governments and central banks to deny public services and public infrastructure. MMT challenges the need for international borrowing. BTC will allow for the discovery of the natural interest rate.

Not only are these four emergent theories mutually supporting, they are interdependent. MMT cannot be successful without LVT and a UBI. Rental value capture is needed to effectively remove damaging liquidity from inflationary economies and a UBI is the optimal way to inject economic stimulus. As a global reserve currency, BTC is ideal for settling international accounts plus its high stock to flow ratio makes it an alternative to inflation-prone fiat currencies.

MMT explains how central banks around the world have behaved for decades, treating taxation and spending as unrelated. LVT explains how to avoid damping the productive economy and how to prevent QE from quickly capitalizing into the purchase price of land and resources. The two theories work in lockstep.

Catastrophic events and disruptive technologies often upset the status quo, re-order the power structure, and change social morays. The decline of the dollar as global reserve currency and the corresponding decline of US military, manufacturing, and financial power has thrown the world into flux, the outcome unknown.

What was a slow relinquishing of superiority, the pandemic and global financial crisis have accelerated. MMT is challenging neoliberalism, LVT insists on universal usufruct, UBI aims to make poverty history, and BTC mocks central banks. A century could become a decade.

## NEW YORK LVT (CONT.)

### *How a Tax Shift Would Affect Renters*

With 64% of New Yorkers living in rental housing (source: American Community Survey 2019), there is a substantial concern about how a tax shift would affect renters. In theory, a tax on land value is absorbed by the landowner and cannot be passed on. A simple way of understanding this is that a tax falls on the party who is least able to change their behavior. Since land—the actual parcels that buildings sit on—can't be moved, or created, or destroyed, the landowner can't "get out of the way" of the tax. What about the building tax? Capital can move, but slowly, through lack of upkeep or the decision to build elsewhere. So, the building tax falls mostly on the building owner. A shift to LVT would reduce or remove even the small part of the building tax that is passed on to renters.

Discussions of the property tax often assume that the property tax is passed on to renters, and therefore that any reduction in property taxes would also be a benefit to renters. If, as theory indicates, the tax falls on landowners,

this cannot be right. But this theoretical understanding is complicated by New York's inordinately complex tax system. Almost all new rental construction is tax abated (under the 421-a program), and older rental buildings are usually rent-stabilized. Rent stabilization means that property tax increases would not automatically lead to rent increases (though they can be taken into consideration by the Rent Stabilization Board, which sets the legal limit on rent increases).

Who benefits from the 421-a abatements? Without that program, some new construction would not happen, and the reduced supply would tend to raise rents on the existing housing stock—except that rent stabilization would block some of those increases. The impact of the property tax on renters in New York City is not well understood, so we can only say that there is no evidence for the claim that a property tax reduction will benefit renters, and that this claim flies in the face of public finance theory. (**Find Part 2 of NY LVT in the March Digest or at [www.Schalkenbach.org](http://www.Schalkenbach.org)**)

# DIRECTORS' PERSPECTIVES (CONT.)

## SOMETHING FOR NOTHING (CONT.)

If we should become injured or get into an accident – on the highway, or take medications with bad reactions, suffer bungled surgery, or get defective merchandise – we should just sue! Lots of lawyers are there to help with the details. We should be so lucky!

There are lots of ways of getting free money, to get rich, without working for a living. Only losers work to get their money, right? What we really need to do is locate the right jackpot. Inducements now seem to be more clever and seductive than in the past; it's all due to the wonders of capitalism and the free market.

The idea of getting something for nothing – be it called a windfall gain, the unearned increment, or, perhaps, the motherlode – is hardly new. In fact, history shows that there was a time when a good part of society got reliable income as a matter of course without having to earn it: they were called rentiers. That rentier is not understood as an English word is revealing. Only in recent years is it used in common English discourse at all, and several English dictionaries don't even include it. If they do, they note it's French.

But the word, and the idea, has returned. The Oxford dictionary defines it as “a person living on income from property or investments.” Wikipedia is hard put to define the term except by linking it to others: rentier capitalism, or rentier state. That the term once related to another time and place, at least in the contemporary English-speaking world, reveals our current understanding of economy and society. The term rent, when used today, has taken on an entirely different meaning in the vernacular; only in the academic discipline of economics does it have classic meaning.

The result of the discourse about markets and economics is that the discipline of economics has been corrupted: its history, either as a practice or as a discourse, is not even taught in most universities, even though its introductory courses are familiar to most undergraduates.

If the terms rent and rentier in their classical meanings are to be re-introduced to students in basic economics courses, it will likely lead to challenging and profound discussion. It will point to the fact that the discipline of economics as it employed the term in the 18th and 19th centuries was once known as political economy, and was taught as part of moral philosophy. The result of treating economics as a value-free study is that its practices are validated without regard to their impact. The term “invisible hand,” the only artifact still known from Adam Smith's 1776 book, *The Wealth of Nations*, assumes that what results from market exchanges is a validation of private pursuits, no matter how secured.

Today, there is no stigma attached to unearned income; with rare exceptions, parties are encouraged to pursue gains however possible. If we can get them, they are ours – Finders Keepers! Unearned gains or “lazy income,” and what J.S. Mill called the “unearned increment,” and what was acquired by rentiers was often regarded as cheating. Classical economist Henry George viewed such rent as the right of society, properly collected by its agent – the state. People should earn their income – do an honest day's work for an honest day's pay. There remains today in many quarters a view that earnings should come from labor, and not from windfalls. That's our entitlement.

We need to review what gains are rightfully secured and what are the outgrowth of a corrupted society and economy.

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## THE AMERICAN DILEMMA

BY: MIKE CURTIS

President Trump was a demagogue, for sure. He could be treated as a felon and disqualified from running in 2024. But the contempt and machinations of his tens of millions of followers and the motley mob that ransacked the U.S. Capital, are rooted in the intractable problems of unemployment, stagnant wages, and the exorbitant cost of housing. By exploring the cause and working for a solution, President Biden and the new Congress could eliminate the threat of another demagogue as they build toward a just and prosperous nation.

Many Americans now suffer from the deprivation and the humiliation of poverty, and many more find no path beyond the stifled life led by their parents. It is out of an instinctive impulse for self-preservation that workers gravitate to groups that seek the exclusion and oppression of others. They are mesmerized and follow a demagogue who empowers them with a sense that they can become a part of something more powerful than themselves. It is in reaction to the fear of losing

## GUEST PERSPECTIVES

what status and wealth they have that they adopt the psychology of hate and “Us versus Them”.

To replace hate and discrimination with the inclusion of all as a national family—where all are valued for their productive potential and the contributions they make, the reality must provide all with an opportunity to work. They must be able to exert their mental and physical energy and be able to consume the full results that those exertions have added to the national wealth. With an abundance of opportunity, we are limited only by nature and human ingenuity. With a shortage of opportunity, all workers have a vested interest in the exclusion of others.

Certainly, not all politicians are corrupt in the usual sense, but any system that condemns the majority to work long hours day after day for food, clothing, shelter, basic healthcare, a used car, and a smart phone, while others  
**(Cont. Next Page)**

## GUEST PERSPECTIVES (CONT.)

accumulate assets worth hundreds of millions and even billions of dollars that represent what other people produced, is fundamentally corrupt. And those who work to preserve that system, are aiding and abetting a moral crime.

It is human nature that everyone feels they have a right to exist, Governments honor that right in their constitutions. And, in order to live, people must have access to the bounty of nature. It is on the land that we stand, and from it we produce our food, clothing, and shelter. All the materials and forces essential to human survival and satisfaction are the free and spontaneous gifts of nature. To assert that some people have a greater right to the habitable, usable, parts of this Earth is clearly to say: Some people have a greater right to exist—to life itself.

Even if all people do have equal access to the land (resources of nature), if people cannot keep and consume what they have produced, they will die—their right to life is denied. To whatever degree the fruit of people's labor is taken from them, to an equal degree is their right to life diminished—be it a thief, an employer or a tax. All people must have equal rights to the bounty of nature, and an exclusive right to the fruits of their labor. This is fundamental to justice and prosperity.

Just as all people have individual rights, so too, they have a common right. As members of the community and society, all people are entitled to share the socially created wealth that results from the conscious and sub-conscious cooperation of the community as a whole. As people come together in communities, far more is produced than the sum total of what each individual could produce alone. Some people grow food, others build houses, and some make clothes. By the specialization of labor and the transactions of trade far more is produced than would result if each family produced their own independent living. With every increase in population, the result of everyone's labor increases, and the greater results are taken by the owners of land. With every addition to the infrastructure and public service, more people can live and cooperate with greater efficiency in a given area. And the increase in productivity adds to the income from land.

The value of land begins with superior fertility, minerals, or safe harbor, but of far more importance is the presence of people drawn to them—the community. The value of land is simply an accounting of the greater productivity of any particular land over that of the sparsely populated regions where land is still freely accessible.

As populations increase, and new technologies increase productivity more where population is dense, the rental and the selling value of particular lands (urban & suburban) increase. In anticipation, some land is held for “speculation”, held, un-used or under-used, as an appreciating asset.

Whether it is vacant lots, empty buildings, and surface-parking, or low-rise buildings where the infrastructure and the market make High-rise more profitable, land speculation is at the root of the problem. Non-use and under-use of land creates an artificial shortage. It causes unemployment and a shortage of housing; it drives wages to a level below which



productivity would fall, and it lowers the return to buildings, machines, and inventories to minimum as well. Raising the Minimum Wage (beneficial as it would be for all workers employed) does not make land available, so it cannot create the needed jobs and affordable housing. Raising taxes on the incomes of the rich (fair in many cases), does not create jobs or housing.

However, shifting all taxes to the rental value of land will create jobs and housing on the valuable, but presently un-used and under-used land. As the competition shifts from workers competing for jobs to employers competing for workers, the general level of wages will rise. Collecting the rental value of land for public purpose makes land a common asset—while allowing for its exclusive possession and the right to keep what is produced upon it. With an abundance of opportunities, the more people produce for themselves, the more they contribute to the synergistic productions of the community and the value of land with which all have a share.

The rent of land is a socially created fund out of which we may provide for the national defense, Universal healthcare and Social Security. It is neither a confiscation of property or an appeal to charity. It is a common fund that grows with and provides for the increasing needs of community. It is the natural resource with which to fund the development of vaccines, medical treatments, and methods to harness safe and inexhaustible sources of energy.

To summarize, it is the association of people that enables trade, the division of labor, and the aggregations of knowledge that multiply the results of individual endeavor. Equality prevents those gains from being lost in conflicts over land, and some people living from the labor of others. Shifting taxes to the value of land, a benefit received, would create jobs, raise wages, provide ample and affordable housing, and prevent Donald Trump and every other would-be demagogue from occupying the White House in the future and looting the country.

# Book Reviews

## KEVIN VALLIER'S TRUST IN A POLARIZED AGE

BY: MATTHEW DOWNHOUR

Professor of political philosophy – and prolific libertarian-leaning author of books on the subject – Kevin Vallier's biography page on [Libertarianism.org](http://Libertarianism.org) starts with him acknowledging the Georgist roots of his birthplace of Fairhope, Alabama, a town founded as a demonstration of Georgist ideals. He notes that it is only fitting that someone coming from a town steeped in such a history of political-economic history should become a political philosopher.

Vallier's recent book *Trust in a Polarized Age* is a timely contribution to the analysis of American politics, and worth analyzing from a Georgist perspective. Vallier's conclusions about the sources and solutions to distrust and polarization differ from George's to varying degrees, but the analytical frameworks he uses to evaluate primary rights are very helpful for explicating the way Georgists view property.

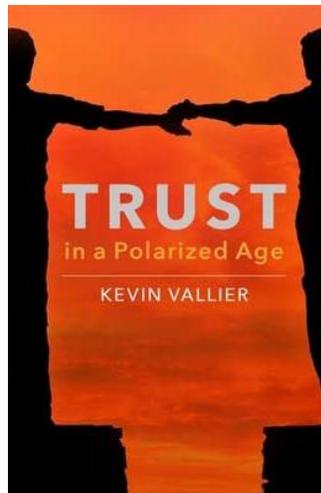
The last 12 months have demonstrated more clearly than ever the need for trust and unity of purpose in a society. The slow motion disaster of COVID fed on public distrust of health experts, which made public health orders impossible to enforce. What should have been a common societal challenge became a political question, as parties attempted to blame one another for the disease and control the narrative of whose mistakes were more severe rather than working together for a common cause. While blame tends to be focused at the top, in reality there is only so much even an ideal government response can do when large swathes of the population don't even believe there is a problem.

What is less clear is the fundamental cause of this distrust and the best steps that can be taken to alleviate it, and these are the questions Kevin Vallier attempts to answer in his book. The book attempts to explain why trust has eroded in the last several decades and how that erosion is related to political polarization, and to refute those who claim extraordinary changes are needed the basic liberal Democratic order to restore a trusting society. The definition Vallier uses of trust (and by extension of mistrust) is strikingly similar to George's own description of a society in decline. For Vallier, political trust means the general confidence individuals have in their government agents to act in fair ways, motivated by moral reasons, and social trust is the people's confidence in other individuals to do the same; for Vallier the two

are linked. George notes in *Progress and Poverty* that "The most ominous political sign in the United States today is the growth of a sentiment which either doubts the existence of an honest man in public office or looks on him as a fool for not seizing his opportunities. That is to say, the people themselves are becoming corrupted." Both agree that there is a connection

between political trust and the operation of government and social trust, and that as the two decline together, society risks collapse.

Vallier's work contrasts with George's on several key points, particularly George's preference for purely material explanations for why corruption, crime, and other breakdowns of social order occur. However, *Trust in a Polarized Age* provides valuable analytical tools that can be used to conduct a more systematic analysis of property and egalitarianism than Vallier has space for in his wider ranging work, and this analysis can yield more robust explanations for why not all property rights are the same.



The basic hypothesis in *Trust* is that we are currently suffering from a 'distrust-divergence' cycle, in which a breakdown of social and political trust accelerates political polarization, which – via worsening government and other avenues – contributes to a greater breakdown of trust. Vallier proceeds to make use of several philosophical devices to determine which policies could instead produce trust for the right reasons, through policies that are publicly justified not simply, as in authoritarian regimes, by removing access to unflattering information.

To analyze what policies might appeal to such reasoning, Vallier uses the philosophical construct of a moderately idealized individual – a person with the same values and position in society as a 'real' one, but with a greater depth of information and time spent in contemplation. A policy that appeals to moderately idealized individuals may not be popular in polling among people who have not thought about it or researched the question, but it is likely to be fair and trust-strengthening once implemented because it appeals to the best values and reasons the population has. **(Cont. Next Page)**

# BOOK REVIEW (CONT.)

## VALLIER (CONT.)

Equipped with these tools and studies on the formation of trust, Vallier addresses various pillars of liberal society as well as several proposed solutions. The discussion is wide ranging, and proposes several useful reforms, but overall defends a conception of the state and society without radical departures from our current liberal democracy with a capitalist welfare state. The book argues that we need some kind of welfare state to combat abject poverty and provide social insurance, but that aiming for complete equal property ownership is inadvisable. Vallier approaches fiscal policy from a relatively libertarian standpoint, concerned about the coercion needed to collect adequate revenue to support the expansive welfare state some have imagined. The constraints Vallier sees on the ability of egalitarianism to bring about trust are well summarized in two of his key constraints on productive legislation. Vallier argues that “Productive policy must not undermine sustainable economic growth... not merely because persons have primary rights to income, wealth, and capital, but because the principle of sustainable improvements requires that the economy be shaped so as to allow economic growth and to ensure that the benefits of growth redound to all”, and that “If productive policies increase coercion, they must meet fairly high standards of policy epistemology.”

One these counts, Georgists can find much to agree. George speaks passionately about the proper use of capital and the right to produce and own it; in “Justice the Object, Taxation the Means” he declares that “If I, by my labour, catch a fish, that fish is and ought to be mine; if I make a machine, that machine belongs to me; that is the sacred right of property. There is a clear title from the producer, resting upon the right of the individual to himself, to the use of his own powers, to the enjoyment of the results of his exertion; the right that he may give, that he may sell, that he may bequeath.” Indeed, George’s view of labor and capital seems even more expansive than Vallier’s. And the Georgist concern for wealth and suspicion of absolute egalitarianism also matches that put forth in *Trust*, arguing in the same essay that “We cannot cure this evil of poverty by dividing up wealth, monstrous as are some of the fortunes that have arisen — and fortunes are concentrating in this country faster than ever before in the history of the world. But divide them and still there would not be enough.”

Vallier’s defense of property is expansive, and important, but does not differentiate between capital and land. However, the tools Vallier provides to analyze property and coercion can be used to more convincingly explain why Georgism could strengthen social and political trust, as George himself believed it could. Four of the reasons for protecting private property and markets laid out in *Trust* seem particularly convincing, and for each, there are reasons to doubt they apply as fully to land as to property. Property, the book claims, predates and can exist without legislation; it is necessary for a society to attain maximum economic growth; it allows for markets, which build societal trust; and it allows for the fuller functioning of other primary rights, like freedom of association.

That some conception of the right to property pre-dates formal legislation seems undoubtedly true; markets and some sense of property have existed before formal states and outside formal states. As Vallier argues, “Property rights are indeed socially constructed in that they depend on norms, but these norms need not be legislated, nor even embodied in state law”, a position with which George would wholeheartedly agree. But, it seems equally clear that this was not the case with land. Rather, it was the enclosure of land that required legislation. The commons in Europe, the hunting grounds and later open range of the Americas, and myriad other examples from around the world seem to indicate that human societies do not universally and pre-politically agree on ownership of land in anything like the modern sense. Rather, governments coercively, using legislation and force to defeat previously entrenched norms, enforced private land ownership to increase efficiency or reward political allies. In some areas of the world this pattern was seen very early on, while in others, like the United States, follow the legislative trail, including the Homestead Act and Dawes Act, that destroyed communal property norms and forcefully created a market for land. The act of declaring property in land is the initial coercive act, and that coercion has been recorded throughout history. It is true that among the general public land is thought of as property because it is conventionally treated as such, and many might initially view a tax on land capable of funding a welfare state or even redistributive state to be coercive; however, it is doubtful that a moderately idealized individual, fully aware of the history of land ownership, would come to precisely the same conclusions.

The necessity of property to produce economic growth is also well supported – but again, the argument breaks down when applied to land. Sudden or arbitrary land redistribution (as we saw in Zimbabwe in the 1990s) almost certainly produces economic catastrophe, but a public land ownership regime based firmly in rule of law – and with continued protection of other property rights – need not have the same effect.

If markets help to encourage trust in society, it seems like a stretch to assume the same applies to markets for land. Why should land markets serve to decrease distrust, while other markets increase it? Vallier’s own explanation for how markets increase trust provides the answer; he argues that “By allowing people to interact for mutual benefit, markets promote trust through social contact with diverse persons”.

The mutual benefit is a given in wealth-creating interactions: if I hire a contractor to add a room to my house, the net wealth of society has been increased, some of which accrues to me by my enjoyment of the room and some to the contractor in the form of wages. Interactions involving land, however, even if they leave both parties satisfied, do not in themselves increase overall wealth.

(Cont. Next Page)

# BOOK REVIEW (CONT.)

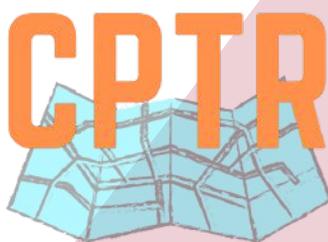
## VALLIER (CONT.)

Markets for goods and even capital tend to build up norms via natural consequences – if I mistreat contractors, I will be deprived of their labor; if a government gets in the habit of expropriating factories, it is likely that fewer will be built. Even in the absence of any legal ramifications, these consequences are natural, as coercion drives away the producers of wealth and capital, leaving the coerced impoverished as a result. But driving away the owners of land is in many cases the desired outcome for the coerced! It is thus unclear that markets for land would have the same effect on social trust as we observe in markets for other goods.

The question of primary rights is a valid one. As land is needed for any human activity, public ownership of land could, in theory, grant a government the ability to prohibit any activity (religious, political, social) that they dislike simply by exercising their prerogatives as landlords. This is where George's preference of a land value tax over redistribution or public ownership comes in. As he clarifies in *Progress and Poverty*, the goal is simply to make public land rents – “Let those who now hold land retain possession, if they want. They may buy and sell or bequeath it. Let them even continue to call it “their” land. We may safely leave them the shell, if we take the kernel.’ If individuals can continue to buy, sell, and

bequeath land, they can retain their primary rights to association and other actions with no diminution in their capacity to exercise their primary rights that require land. Moreover, it sidesteps another potential pitfall of government capital ownership, redistribution, or legislation to require pre-distribution: As George notes, “Nor to take rent for public uses is it necessary that the State should bother with the letting of lands, and assume the chances of the favoritism, collusion, and corruption this might involve.”

Favoritism, collusion, and corruption are precisely the dangers Vallier points out in trying to introduce liberal socialism or property-owning democracy, because they are so fatal to social trust. Although he does not make the distinction between land and capital, he provides helpful analytical tools to make that distinction. His defenses of property are valuable, but examination and reflection will reveal that they apply only to labor and capital, and not, in most cases, to land. Under the framework set out in *Trust in a Polarized Age*, it is quite possible to build a compelling case for land value taxation and using it to fund social insurance and poverty reduction needed to create a more trusting society while protecting everyone's primary rights.



The Center for Property Tax Reform

## MAPPING A DIFFERENCE

BY: CPTR STAFF

The Center for Property Tax Reform (CPTR) continues to evolve in its efforts to educate about Land Value Tax (LVT) and expand its network, outreach and engagement initiatives. In the last month we've had a variety of conversations with stakeholders in cities like New York City, Philadelphia and more. In fact, we're hosting a FREE webinar with representatives from Philadelphia on February 23.

In January, the CPTR team met with East Cleveland officials to discuss issues facing the town and how CPTR can use our data-driven approach to assist. The city of East Cleveland is a prime example of a troubled former rust belt town. The population is just over 17,000 people with a majority minorities with a median household income of just \$25,000 per year.

Geographically speaking, East Cleveland is a literal "other side of the tracks" neighborhood. At CPTR, we believe the

most pressing issue of East Cleveland is that nearly 30% of the city's 4,300 parcels are identified as vacant land within the Cuyahoga County's open data portal. Of the 1,965 vacant parcels, 1,318 (67%) are owned by some variation of the city/county land bank or a 'reutilization program.' The difficulty is to actually find buyers for these parcels who can redevelop this land for affordable housing or locally owned businesses.

While the challenge is daunting, CPTR is committed to providing statistics and guidance to local municipalities – like East Cleveland – to develop strategies to best utilize and capitalize on the strengths of a neighborhood.

We are looking to expand conversations with elected officials and like-minded organizations through social media platforms like Facebook and Twitter. You can also visit our new blog on the CPTR website for more context and education on the work the CPTR staff is conducting!

# THE NEW HAMPSHIRE - MASSACHUSETTES TAX DISPUTE

BY: JOSHUA VINCENT, CO-DIRECTOR OF THE CENTER FOR PROPERTY TAX REFORM

## **You May Not Live Or Work Here. But, Pay Us Taxes.**

The Covid pandemic has brought out the best and worst-case scenarios for human and political behavior. Soon after the pandemic arrived in March 2020, many firms and businesses could direct their workers to operate out of their homes. After all, it's the age of fiber-optic and massive Netflix downloads, so why not put your digital options into play with broadband?

In 2019, workers sometimes did not pay income taxes to the state where they worked. Instead, they paid state income tax where they resided.

In 2020, nonresident workers stopped paying income taxes unless there was a state reciprocity agreement. Why? Because they no longer went to that state to work.

In 2021, cash-poor states are starting to hunt.

## **Massachusetts: not so fast!**

In mid-2020, Massachusetts decided to dun New Hampshire residents who had worked in the Bay State pre-Covid, to retrieve some lost income. The Massachusetts Department of Revenue issued an order to withhold the 5% income tax from the New Hampshire residents.

New Hampshire has a very particular and proud tic in its DNA. There's no state income tax.



**“Taxes are paid in the sweat of every man who labors. If those taxes are excessive, they are reflected in idle factories, in tax-sold farms, and in hordes of hungry people, tramping the streets and seeking jobs in vain. Our workers may never see a tax bill, but they pay. They pay in deductions from wages, in increased cost of what they buy, or - as now - in broad unemployment throughout the land.”**

~FRANKLIN D. ROOSEVELT

## **New Hampshire: Hands off!**

New Hampshire sued. With the Interstate Commerce Clause and all, it probably made sense to issue an order rather than pass a law that could not have held up in court. It's fascinating that the furor in New Hampshire was bipartisan:

*“The actions taken by the State of Massachusetts to dip their hand into Granite State pockets because they cannot balance their budget is disgraceful,” Senate Republican Leader Chuck Morse said in a statement. “I applaud Governor Sununu for quickly announcing a plan to file a lawsuit against this new rule and make it clear that New Hampshire will never accept an income tax in this state.”*

## **Democratic U.S. Rep. Chris Pappas also attacked the ruling as unfair.**

*“This rule change by Massachusetts extends an outrageous cash grab targeting Granite Staters who are doing their part to stay home and stay safe during a pandemic.”*

## **We'll see you in court.**

Disputes between states are not rare. The mechanism for settling such issues long baked into the Constitution? The Supreme Court handles it. Already, over ten states have joined New Hampshire as a friend of the court.

## **Brave New World**

The heart of the issue is what tax policies can best help a state without foisting distortions (legal and economic) on revenue issues. Covid has accelerated the magnitude of this issue quickly without sober consideration of how far a state will go to secure tax money. Tax disputes like these now sprout up all over the country. The Center for Property Tax Reform (CPTR), and many other observers, place the responsibility for these disputes squarely on the (non) wisdom of relying upon mobile subjects of taxation (wages) and now-mobile practitioners of labor (workers returning home to conduct business).

Property and other local taxes represent vital revenue streams that support quality of life for residents and attract and keep businesses. All too often, however, these taxes can't keep pace with development trends, funding needs, and tax payers' changing expectations. This is where the CPTR comes in. We advocate for fair taxation and provide the data needed to offer up evidence-based recommendations.

# Upcoming Events

## REBUILD. REENVISION. REFORM. HOW A LAND VALUE TAX WOULD IMPACT PHILADELPHIA

PRESENTERS INCLUDE:

TUESDAY, FEBRUARY 23 - 1 PM



**W. Wilson Goode, Jr.**  
Former Philadelphia  
City Councilman



**Derek S. Green, Esquire**  
Philadelphia  
City Councilman



**Maria D. Quiñones Sánchez**  
Philadelphia  
City Councilwoman

TO REGISTER, VISIT [CENTERFORPROPERTYTAXREFORM.ORG/EVENTS](https://centerforpropertytaxreform.org/events)

Philadelphia, already struggling with issues ranging from gentrification, to blight, to regressive taxation has been dealt a near fatal blow to its economy due to COVID. Can a simple reimagining of one of the City's most familiar taxes be the key to keeping long-time residents in their homes, encouraging private investment, and shoring up revenue streams in the time of social distancing and beyond? Join The Center for Property Tax Reform and 5th Square for a **FREE** webinar on **Tuesday, February 23** to explore how abandoning traditional property tax in favor of a land value tax could be the economic vaccine that the City of Brotherly Love needs.

- **W. Wilson Goode, Jr.**, a Public Policy Advisor who served as a Philadelphia City Councilman At-Large from 2000-2016.
- **Derek S. Green**, elected as a member of the Philadelphia City Council in 2015 and re-elected in 2019.
- **Maria D. Quiñones Sánchez**, Philadelphia Councilwoman, currently serving her fourth four-year term representing eastern North Philadelphia's 7th Council District.

Register at <https://centerforpropertytaxreform.org/events> and share this FREE event with others!

### Your Gift Makes a World of Difference!



YES, I'd like to support RSF's efforts to promote the ideas of Henry George and champion the adoption of LVT in new communities with my gift of \$ \_\_\_\_\_!

The Robert Schalkenbach Foundation is a nonprofit private operation foundation designated as tax-exempt under Section 501(c)3 by the Internal Revenue Service. Donations are tax deductible to the fullest extent permitted by law. Our tax ID is 13-1656331.

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