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.

**Sedition:**

*(noun)* the illegal act of inciting people to resist or rebel against the government in power.

“Inequities in health have always existed, but at this moment there is an awakening to the power of racism, poverty and bias in amplifying the health and economic pain and hardship imposed by this pandemic.”

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*Dr. Helene Gayle, president and CEO of The Chicago Community Trust*
As has become the norm, the weeks since the publication of our December newsletter have been full to the brim with breaking news and accounts of personal struggle and heartbreak too numerous to begin to address here. Today though, two main stories capture the headlines: the continuing scourge of the coronavirus pandemic and the events which took place in Washington D.C. on December 6th. Like everyone else, we at RSF must contend with these large scale issues while charting our own course forward in the new year.

As I write this, COVID-19 has claimed upwards of 373,000 American lives, growing at a rate of more than one life per minute. The numbers are staggering. Even with multiple vaccines now available, limited supplies, flawed distribution mechanisms, vaccine hesitancy, and historically high infection rates, mean we’re still months from seeing the light at the end of the pandemic tunnel.

And although the last four years have done much to normalize bad behavior in Washington, even the most cynical and disinterested among us were held in rapt, horrified attention by the images of confederate flag-toting Trump supporters storming the Capitol Building where Congress had gathered to certify the Presidential election results. The landmark results of the Georgia Senate runoff, which had dominated Google on January 5th, with 10M+ searches on that day alone, were immediately eclipsed in the national consciousness as we searched terms like 25th amendment (5M+ searches on the 6th), Capitol (5M+), and sedition (1M+), struggling to make sense of the day’s events and discern a collective path forward.

So how does RSF fit into all of this? Our answer is simple: we will continue to honor our founding commitment to advance the ideas of Henry George with the goal of creating a more just world for all people. This may seem like a no-brainer, but in a time of continual upheaval where the chasm between the have and have-nots grows ever wider, this is in fact, a bold commitment.

How will we do this? In 2021, RSF will continue to support research into issues of economic and social justice. With our own titles now fully catalogued, we will finalize our library collection policy and begin the process of identifying and acquiring materials to ensure ours is a truly unique and valuable set of Georgist resources. We will hold a series of events – ranging from our February 23rd event exploring the implications of LVT for Philadelphia, to a launch party for the fourth volume of the Annotated Works of Henry George (date TBD) – that will enable anyone, no matter where they are, to participate in our efforts and learn how we’re keeping George’s ideas alive today.

Through our Center for Property Tax Reform, we’ll continue our research and direct outreach to communities, including our efforts to champion the creation of a 5th class in the NYC property tax system and the adoption of land value taxes in cities and towns nationwide. We’ll also be rolling out new GIS tools, designed to lay bare the inequities and inaccuracies hidden in our tax codes, so that the information can be used to right these longstanding wrongs.

And as we work through year two of our strategic plan, we’ll be rounding out our overall programming through efforts to standardize and better publicize our grantmaking, including the creation of a totally new type of support: college scholarships.

The ushering in of a new year did not, as many of us had hoped, bring with it a conclusion to the pandemic or a more sane national political stage. But I believe those things are coming. For the time being, however, I’m focused on stewarding this one organization, whose founding commitment to promote the ideas of Henry George – the ideas of equality, opportunity, and good governance – could not be more relevant, or more desperately needed, than it is right now.
As Donald Trump continues to contest and hopes to overturn the 2020 election with unsubstantiated claims of voter fraud, it is worth remembering that the United States has a long history of respecting the peaceful transfer of power, even when fraud was not just suspected, but obviously endemic to the system. The rowdiness of the 19th century polling place has been well documented, perhaps by none better than the historian Richard Bensel who wrote that “The American polling place was . . . a kind of sorcerer’s workshop in which the minions of opposing parties turned money into whisky and whisky into votes.”

The 19th century polling place (which was often a tavern) was a site of active contest, where party agents led debates, but also worked to sway voters with bribes and booze. More violent types of persuasion were also routine, including riots, threats, and kidnappings. Ballot boxes were stolen by violent mobs. Some suspect that Edgar Allan Poe—who was found on the brink of death outside of a polling place on election day—was the victim of cooping, a common practice in which men were kidnapped, drugged, and forced to vote at multiple polling places.

After the Civil War, Northern Republicans briefly took an interest in the issue of voter intimidation amid growing fears that their black allies in the South would be disenfranchised by violent paramilitary groups. However, the Supreme Court undercut federal protection for voters and by the late 1870s many bourgeois northerners had grown sympathetic to white terrorism in the South, as fears that their own working class would use the ballot to overturn property rights undercut faith in universal manhood suffrage.

The disfunction of the 19th century polling place was rooted in a system of public voting that, in most states, required citizens to acquire pre-printed ballots from partisan officials and then deliver the conspicuous, color-coded ballot to the polling place. Voters, the theory stated, should be proud to announce to the world who they were voting for. In practice, the lack of privacy made it possible for party officials to use bribes and threats of violence to control the electorate that they supposedly represented.

If growing inequality undercut faith in democracy in some circles, it also inspired reformers who understood that fixing the economic system required a functional democracy. Throughout the 1880s, Henry George gathered support (Cont. Page 6)

Thank you to everyone who participated in our December survey on Universal Basic Income. Below are questions for our January survey. Please answer the questions online.

1. What would you untax and why? (short answer)
2. Do you think every state should enforce a sales tax?
   a. Yes
   b. No
   c. Unsure
3. How often should property taxes be collected?
   a. Every month
   b. 1-2x a year
   c. 3-6 x a year
   d. Never
4. Do you think the United States should implement a wealth tax?
   a. Yes
   b. No
   c. unsure

Take our January survey on wealth and property taxes.
www.Schalkenbach.org/survey
If you were following the tax assessment beat during California’s 2020 election, chances are you heard plenty about Proposition 15. As a bill that would unfreeze assessments for commercial properties, it was flashy, impactful, and activated political blocs both For (teacher unions) and Against (the California Business Roundtable).

Unfortunately, (from a tax equity perspective), Prop 15 was defeated by a razor-thin margin. But another 2020 California proposition about tax assessments did pass: Proposition 19.

Prop 19 was a controversial bill, for the very reason that even good-faith tax and land reformers didn’t know whether it was worth supporting or opposing. (I personally saw a 50/50 split among friends and colleagues.) To understand why, let’s break it down, and understand how weird it is.

But first, some history.

California’s landmark Prop 13 (1978) has frozen tax assessments for all properties, which are only changed when a property is sold. (Assessments are allowed to increase 2% maximum each year, roughly keeping pace with the Consumer Price Index.) Prop 13 has devastated public programs in California, created a scarcity of housing stock, and also led to an interesting problem for its beneficiaries: lock-in. As California real estate has grown in price, those granted a diminished assessment have the additional incentive not to move, as they’d have to pay market value assessment on their new property. All of these factors work to freeze seniors in their home, even when downsizing or relocating would be in their favor.

This was ineffectively remedied through a number of additional propositions (60/90/110), which attempted to make assessments portable through both intra and inter-county moves. But, these only applied to a few counties, and required the new property to be effectively as cheap as the original property was (which, given increasing real estate prices in California, is far from likely).

The new amendment Prop 19 achieves three things:

- Allows assessments to transfer up to three times for seniors, the disabled, and fire victims, with a system of prorating the assessments of more expensive properties
- Re-assesses inherited property for non-primary residence, and also primary residence if the value has accrued more than one million dollars (effectively a partial repeal of Proposition 58, which extended Prop 13 to heirs)
- Funds are allocated for wildfire relief (Cont. Page 7)

THE TAX WE NEED FOR THE PANDEMIC ECONOMIC RECOVERY

BY: FRED FOLDVARY

How can a tax help rather than hinder an economic recovery? Believe it or not, a tax on land value would best stimulate economic recovery. A land value tax, like today’s property taxes, is based on the value of land when put to its best productive use, regardless of the actual use or revenue from that plot of land. The value of buildings and other improvements is excluded. The result is that if the title holder is not putting that land to its best and highest use, the owner is suffering a loss, paying a tax not matched by revenue or benefits. Therefore, the owner has an incentive to put the land to its most productive use.

Greater productivity implies greater output, greater income, and greater employment. But there’s a problem! Pre-pandemic, a shop or restaurant could hire employees and get to work. Today, many such small businesses are locked down, unable to operate, or only with limited and unprofitable capacity. To pay the rent and the tax on the rent or land value, these tenants (as well as homeowners) need an income, which they are currently struggling to achieve.

The government needs to provide a substitute for the once normal income individuals obtained. The US government did just that in March 2020 when it enacted (Cont. Page 7)
This past September, tens of thousands of people, including myself, sheltered indoors. Not just because of COVID mandates, but to escape the forest fire smoke engulfing the west coast. The sky was an eerie blood-orange and the air quality index exceeded 500, an extremely hazardous level. With the pandemic, the forest fires couldn’t have come at a worse time. For many of us, it became dramatically clear that climate change is something affecting our lives here and now – not in some future decade. The National Oceanic and Atmospheric Administration (NOAA) reported that the summer of 2020 was one of the hottest on record for the U.S. This excessive heat contributes to forest fires, hurricanes, and threatens the things we value and need to survive such as water, energy, transportation, wildlife, agriculture, ecosystems, and human health. With these threats consuming our lives, people are finally waking up to the fact that climate change is upon us and we, as a civilization, need to act before it’s too late.

The goal set out in the Paris Climate Agreement, which President-elect Biden plans to rejoin, calls for no more than a 1.5°C increase in global temperatures by 2050 in order to avoid dangerous climate change events. According to a report by the Intergovernmental Panel on Climate Change (IPCC), countries will need to cut global CO2 emissions 45 percent below 2010 levels by 2030 in order to reach net-zero greenhouse emissions by 2050. The report suggests that the world will need a radical transformation of energy, transportation, and agricultural systems to meet this 2050 goal. Meeting this goal will be a serious challenge considering that solar and wind energy currently supply only about 9.8 percent of U.S. electricity production. A new year is upon us and it’s time to reduce our fossil fuel emissions to meet the Paris Agreement goals. Given the fact that the U.S. is embroiled in a great political divide when it comes to issues like climate change, it’s hard to imagine how this country could come together to work on a common solution. Nevertheless, we need to develop solutions that will bridge this division in our society so that our civilization can move away from a fossil fuel economy to one based on clean, renewable energy.

Actually, there is such a solution. In 2018, the Energy Innovation and Carbon Dividend Act (HB763), a bipartisan bill, was introduced into the U.S. House of Representatives. It died at the end of the session but was reintroduced into the 116th Congress. The bill was sponsored by Democrat Ted Deutch and cosponsored by Republican Francis Rooney. It would collect a fee of $15 per ton of carbon dioxide at the source from oil, gas, coal, and other greenhouse gases. The fee would be increased by $10 each year. All the revenue would be returned directly to American households as an equal, monthly energy dividend (or rebate). This approach is called the Carbon Fee and Dividend (CF&D).
with plans for a land tax. He told urban tenants facing rising rents that he would tax the full rental value of land, forcing it onto the market, reducing rents, and providing the government with the funds to offer programs like free college education and free public transit. In 1886, the Central Labor Union in New York City recruited George to run for mayor, and he waged a vigorous campaign, speaking five or six times throughout the city. He developed a devoted following among the city's working class and on election day outran the Republican candidate, Theodore Roosevelt.

George lost to his democratic rival who had the support of the notoriously corrupt Tammany Hall regime, which skimmed off the top of both the city's budget and its criminal underworld. While it is hard to determine how much fraud occurred during the election, Tammany's reputation was such that many observers assumed George would have won in a fair election. As far away as Germany, Frederick Engels, co-author of the Communist Manifesto, was certain that George had the election stolen from him by "a colossal mass of fraud." In his concession speech, George refrained from challenging the validity of the election. But he began a push for electoral reform, forming a permanent organization to promote the "Australian ballot," a term he claimed to have coined. The Australian ballot was a secret ballot, printed and distributed by the government. It is how the U.S. votes today. The commonsense notion rapidly took off with The New York Times reporting that, in Brooklyn, the cause was "started by Georgeites, nourished by prohibitionists, aided by Democrats, and abetted by Republicans." Two years later, in 1888, Louisville became the first city in the country to enact the secret ballot. Arthur Wallace, who proposed the bill, said he had been inspired by George to propose the bill.

The Australian Ballot developed a wide spectrum of support in the U.S. By the twentieth century, the Australian ballot was standard throughout most of the country, though there were some hold outs, particularly in the South, where fair elections were—to put it lightly—not a priority.

While George would never get his single tax on land, he and his supporters reshaped American democracy in their efforts to get it. In Oregon, William U'Ren, the so-called "father of direct legislation" led the effort to establish the referendum, recall, and initiative, believing these would allow the people to sidestep entrenched interests and constitutional hurdles to taxing land. U'Ren noted "all the work we have done for Direct Legislation has been done with the Single Tax in view." In Cleveland, mayor Tom Johnson, George's closest friend and advisor, led the charge for urban self-governance to shake off the shackles of a state government dominated by rural voters who were hostile to taxing real estate.

These reforms did not necessarily have the impact supporters hoped they would. Direct legislation, for example, has been criticized for being easily manipulated by elite interests. However, George's supporters did have their day, developing footholds in urban governments in Cleveland, Houston, and Portland where they shifted the burden of taxation onto landed property to fund urban development. In 1906, Lawson Purdy, who had introduced Henry George at his last public address, was appointed President of New York City's Department of Taxes and proceeded to impose heavy new taxes on central real estate in Manhattan. Historian Daniel London has argued that these taxes proved popular even with real estate stakeholders, who believed they were essential to constructing the urban transit infrastructure that reaffirmed New York City's key place in the nation's economic life. Henry George might not have been elected in 1886, but his ideas ultimately helped shape New York City.

What's the point? That political and economic reform are inextricably linked. A system in which a candidate can lose an election by three million votes and still ascend to the presidency is one in which the people's economic interests are unlikely to be represented. Elections based on places rather than people give declining communities veto power over the nation's future and thereby enshrine the politics of social decay as the highest law of the land. In the end though, the political reforms that George's supporters worked for probably did less to advance their ideas than the fact that they had fought for them. While Americans are generally less democratic than they like to believe, democracy is the most egalitarian element of our political culture. No movement to overturn elite interests will progress far unless it is synonymous in the public mind with democracy.
**DIR E C TORS’ P E R S P E C T I V E S  (C O N T . )**

**PROP. 19 (C O N T .)**

Understanding the controversy:

**THE PROS:**
- The re-assessment for inheritance is unambiguously great, from a value capture/land equity angle
- The portability of assessments will lead to more mobility
- When an older resident moves out, the resulting re-assessment will be a win for revenue

**THE CONS:**
- When an older resident moves in to a new county, it'll be a loss for revenue (there's a revenue-sharing scheme built in, but it’s far from obvious that it'll work to avoid unintended consequences)
- The initiative was designed rather cynically by Realtors ($47M was spent on the campaign on both sides. 99.3% of all money was on the Pro-19 side; 7% on the Con-19 side; essentially all of the money in support from the California Association of Realtors and the National Association of Realtors)
- The components of the initiative don’t really make sense together; in fact, just the portable assessments component was put alone on the ballot in 2018 as Proposition 5, where it failed. The realtors used the re-assessment component of the bill to sweeten the deal, when in fact it would have been preferable to see the Prop 58 repeal stand on its own.
- Ditto the wildfire relief, which is an apparently focused-group way to give the campaign a more positive brand. The connection between local assessments and wildfire funding is tenuous at best
- The California Constitution is bloated with dubious, confusing, and ill-written amendments through the initiative process, which are impossible to remedy through normal legislation, and very difficult to reform through the ballot. The level of stringency one should have is as a result high.
- Did I mention how weird and cynical Prop 19 is? (Official opposition to the bill was a bizarre group, containing both the ACLU of Southern California, the League of Women Voters of California, and the Howard Jarvis Taxpayers Association)

In any case, it’s now the law of the land, though it'll take quite a while for the effects of its reassessments to become known. Realtors (based upon online activity highlighting the benefits of Prop 19) are already enthusiastic about its ability to drum up business.

As for the necessary work of reforming California’s land taxation schemes for the public benefit, it falls far short of the necessary (but politically difficult) work that must be done. We’ll presumably see Prop 15 return in the future, and possibly more as budget crises loom.

**P A N D E M I C  E C O N O M I C  R E C O V E R Y  (C O N T . )**

the CARES (Coronavirus Aid, Relief, and Economic Security) Act. Individuals received a one-time compensation of $1200, couples $2400, plus child support. The cash benefit was non-taxable. Small businesses also received relief. Some not-so-small businesses, aka corporations, also received relief funds.

Instead of one-time relief compensations, which need repeated enactments, the compensation for lost income should be periodic, paid every month. Under this notion, every enterprise and household would receive a monthly compensation for lost income. With the restoration of household and business income, local and state governments would obtain their normal tax and fee revenues.

The payment should be an 80% grant and a 20% optional interest-free loan. The recipient would need to have evidence of the previous income and of the legal inability to obtain income. Such evidence could be provided later, but there would be a stiff penalty for fraud.

The reason for the 80% grant limit, rather than 100%, would be to provide an incentive for the employee to obtain work and for the business to innovate and become productive. It would be a conditional basic income until the lockdowns end.

Since the owner of a real estate property, whether residential or commercial, is already paying a property tax, the owner would be able to deduct the portion of property tax due to the land value, from the land-value tax. For landlords, the land value tax would be deductible from income taxes. With the periodic compensation, property owners would be able to pay the land value tax as well as their current property tax, and their mortgages.

An objection to further coronavirus relief is that trillions of dollars has been paid out, and further payments would increase the already-huge federal budget deficit and debt. The response to this objection? If the lockdowns are justified by the science that has concluded that normal business spreads the disease, then there is a moral question of who should bear the burden.

If the relief is not continued, the lockdowns will unfairly burden some sectors of the economy. It’s hard to justify one business’ ability to have income and not another. Government should spread the burden on the entire economy by providing relief for those who lost income.

During a major war, governments go into debt to pay for some of the expenses. The urgent problem is to win the war, and the debt is taken care of later. The whole human world is now at war with COVID, and as with other wars, we need to spend the resources to defeat the enemy. This burden should be shared equitably.
CARBON FEE (CONT.)

The CF&D set forth in HB763 has been supported by the non-partisan organization Citizen's Climate Lobby (CCL) since 2009. The CCL currently has 613 chapters and 195,000 active grassroots supporters across the country focused on passing Fee and Dividend legislation.

The CCL cites studies that show the positive benefits of the CF&D, including one by Regional Economic Modeling, Inc. (REMI) that shows that in 12 years such a fee system would lead to a 40% reduction in carbon emissions. Other studies, also done by REMI, estimate that the citizen’s dividend would stimulate the economy and add 2.8 million jobs after 20 years, more than if business continued as usual. In addition, the CF&D would have a dramatic effect on public health by reducing toxins emitted from fossil fuels and by reducing climate events such as storms and fires.

A price on carbon would encourage businesses and individuals to reduce carbon use. With a higher cost of carbon, industries would be encouraged to reduce carbon use in the manufacturing process and, over time, to invest in the adoption of clean, innovative technology. As the carbon fees raise prices on carbon-intensive products, consumers would then buy products that use less carbon. Electric cars would be such an example.

Because of the Carbon Dividend, most people and households would come out ahead. A 2020 Household Impact Study concluded that around 61% of households and 68% of individuals will get back more from the dividend rebates than what they pay in increased energy costs.

In order to make foreign trade comply with the carbon fees, there would need to be a border adjustment for products that are imported from countries without comparable carbon fees or pricing. Likewise, as U.S. goods are exported to countries without carbon fees, they would receive a rebate.

In order to combat and defeat climate change in the next 30 years, our world civilization needs to do a lot more than setting up carbon fee and dividend systems. In particular, we need to do a great deal of work on regenerative agriculture so that our soils will capture and store carbon as organic matter.

Of course, regenerative agriculture can be – and is – set up on an incentive basis which is a separate issue and project. It is encouraging to know that a Carbon Fee and Dividend tool is available and that many people – from different points of view – are working to establishing and implement it.

FINANCIAL INSECURITY (CONT.)

But all this is no longer a certainty. It is no wonder that President George W. Bush’s proposal in 2004 for privatizing social security met with overwhelming disapproval. It was a factor that probably cost him re-election. It is still, practically speaking, the political “sacred cow” of politics, even though the Federal government has by various unobtrusive means reduced its real purchasing value. It is no wonder, therefore, that the general populace continues to feel more and more financially vulnerable as years pass. The disparities of household income and wealth have grown profoundly, and continue to widen. Moreover, home values differ widely depending on geographic regions, and boom-bust cycles no longer offer the growing equity for later reliance.

In the 2020 Democratic primary, Andrew Yang, a successful entrepreneur, sought to capture and respond to this sentiment. His signature issue was to promise to every American citizen over the age of 18 a monthly $1,000 “Freedom Dividend.” His understanding of this need was drawn from his observation of the turbulence and insecurity that the general citizenry today faces. To Yang, the Freedom Dividend’s benefits would lead to “healthier people, less stressed-out people, better-educated people, stronger communities, more volunteerism, and more civic participation.” By making the distribution universal, current eligibility programs that rely on personal scrutiny, costly governance and its bureaucracy would be reduced. In fact, what is elsewhere known as a Basic Income Guarantee, has been implemented in other nations with general acclaim. The idea has been proposed as long ago as in Thomas Paine’s Agrarian Justice.

While the Basic Income Guarantee is growing in acceptance, it is not by itself likely to completely reassure the general public. But, stabilizing the increasingly unpredictable economy can be achieved by the public collection of income from ground rents that are now subject to boom-bust cycles based on speculative practices. Studies have shown that ever since the rise of industrial economies over two centuries ago, there have been regular recessions, depressions, and what were once called “panics,” roughly every 18 years. If the public captured the unearned rents that otherwise flow to idle hands, the speculation in lands could be stemmed. Greater stability by instituting such revenue structures would comfort the public universally – business, commercial and household.

Neither a Basic Income Guarantee nor any personal retirement accounts now growing in usage are likely to address comprehensive household needs. Savings and investment programs should still be encouraged. When greater guarantees of financial security are in place, the personal and household assurances that are suggestive today offer a basis for discussion that is now, for the most part, lacking.
THE DEFICIT MYTH

A Paradigm for Understanding Budgeting; What Role is there for Land Reformers?

BY: MARK MOLLINEAUX

It’s in the air: something called “Modern Monetary Theory” (MMT). MMT purports to have answers on how to pay for public goods without burdensome taxes, how to shift more earning power to workers, and how to circumvent gridlock and democratic stasis. Especially in the context of COVID’s unique challenges, MMT tells us that our recovery may be quick and merciful. But what exactly is it?

In each case, the explanations are a careful balance of hand-holding, engaging and funny anecdotes, as well as gory and technocratic details. By the time Kelton explains the most nuanced and wonky of the myths (that public debt redounds to a "crowding out" of private investment), we’re deep in the dance: a convoluted structure involving many players (notably, the interplay between the Treasury and the Federal Reserve). Rules govern the action, some seemingly real and part of the economic firmament, others we have imposed on ourselves, whether it be Congress’s PAYGO system of mandating funding sources for all new spending, or our particular bond issuance policy and its relationship to deficit spending.

As someone who has been fairly well-acquainted with the MMT arguments, it’s Kelton’s demystification of the intragovernmental procedure that was most rewarding for me. Her use of “green money” and “yellow money” to track the flows of both currency and bonds is the best explanation I’ve yet seen, and the footnotes pointing to papers with even gorier detail are appreciated.

Whereas it’s appealing to believe that financial restraints to a government are similar to that of a household or business, when a government controls its own currency (as is the case for a monetary sovereign such as the United States or Japan, but not Greece or New York) it can never truly default on its debt; the real constraint is on its credit-worthiness.

Kelton also uses her experience with how the sausage is made in Congress to enliven the proceedings with some amusing examples about how our electeds understand and misunderstand debt. How is it possible for Congress members to abhor the National Debt but also want to protect the availability of Treasury Bonds for investors, given these are fundamentally two perspectives of the precise same thing?

This review is far too short to explore what MMT is to the extent that the book does, but here’s a short summary of the argument.

- Whereas it’s appealing to believe that financial restraints to a government are similar to that of a household or business, when a government controls its own currency (as is the case for a monetary sovereign such as the United States or Japan, but not Greece or New York) it can never truly default on its debt; the real constraint is on its credit-worthiness.
Book Review (Cont.)

IS THIS EVEN NEW?

If the last phrase above rings a bell, it’s that “Full Employment and Price Stability” is not only a MMT rallying cry, but also a volume of work by William Vickrey, who dedicated much of his later life to righting misconceptions about the macroeconomy and the tendency towards austerity. Vickrey appears a few times within Kelton’s book, as does another notable name: Abba Lerner. Lerner’s work on “Functional Finance”, starting in the 1930s, is essentially identical in propositions to the bullet points above, leading many to ask whether MMT is really anything new, or is just a new name on an old concept.

This stirs plenty of debate (“isn’t MMT just a way of talking about seigniorage rents/chartalism/etc?” “isn’t this just a slight amplification of Keynes?”). However, I personally don’t think the question of novelty is really too important. Even if it is a new brand more than a fundamentally new idea, MMT certainly has a freshness in modern political discourse that seems to indicate that it’s either notably effective in grabbing the public attention, and/or it’s the right framing device for this time.

Perhaps the only truly “new” feature of MMT, as compared to Functional Finance, is its focus on a federal Job Guarantee (JG) as a way to stabilize the economy in a non-inflationary way. This has attracted a great deal of debate; many have dismissed the claim that JG is integral to the MMT paradigm (I am inclined to agree, despite Kelton’s interjection of JG as a helpful program throughout her book, it feels rather bolted-on). Others have criticized the framing of JG as an individual mandate (which would be a nightmare to administer, as opposed to simply advocating for a larger quantity of public sector employment). Yet others have criticized JG as being unfairly punitive, akin to workfare, as opposed to merely dispersing money through a Universal Basic Income or Unemployment Insurance, and making any work requirement voluntary. Personally, I agree with all of the above, adding my personal preference for bold and innovative anti-inflationary policy such as Abba Lerner’s “MAP: Market Anti-Inflation Plan”. I don’t believe that these fairly substantial criticisms to the JG, as proposed, undermine the key insights to the MMT paradigm, which remain incisive.

RESPONDING TO OBJECTIONS FROM A LAND-TAXER’S PERSPECTIVE

There may be some anxious feelings this provokes from one committed to the justice of taxing land. If taxes don’t really fund the government, will this lead to anti-tax sentiment which undermines the value of the LVT argument?

Not at all. It’s important to remember a dictum of MMT: “think of inflation.” Remember, inflation isn’t one thing, but a multivariate tapestry of interweaving phenomena. While CPI and other inflationary behavior tied predominantly to wage levels is the most common form to fixate on, one cannot forget asset price inflation (especially localized to real estate price levels). While asset price inflation only gets a passing mention in “The Deficit Myth” (for perhaps the cynical reason that taking on real estate interests is politically perilous), it’s definitely a thread in the larger discourse. MMT-adjacent Post-Keynesians have some interesting insight into how the Asset Economy currently functions, one that fits interestingly into other insights about the role of expanding bank credit being used to buy up previously-extant real estate.

Another objection may be that this is missing the forest for the weeds: focusing on the “money economy” instead of the “real economy.” This was a common refrain in the works of Henry George, who had the ability to see through the obfuscation of the financial economy, to reveal inequities underneath. A piece of money was, after all, not a piece of wealth at all, but only a voucher to extract resources and labor from others. In his book “Social Problems”, George pays special notice to the immorality of issuing bonds to pay for war debt. After all, if we’re content to simply conscript soldiers, why are we borrowing from the wealthy instead of taxing them? He then parlays this into a condemnation of “public debt.”

I don’t think there’s any real contradiction here, given that 19th century America was not a monetary sovereign; an obligation to acquire gold at all costs is in fact a real public debt in a way that the current “national debt” is fundamentally fictitious. George’s focus on the inequities of coddling the rich is fundamentally just, but ultimately far more fundamental than the questions of currency administration: ending wealth inequities should be done because ending inequities are good in themselves, not just because it’s useful to fund spending.

Furthermore, it’s important to note that the MMT authors are more focused on real resources and the real economy than most in the game of analyzing the economy. Kelton, throughout “The Deficit Myth,” is consistent in noting that the way we treat money is a useful tool to effect change in real resources and constraints. Instead of focusing on the debits and credits of U.S. Reserve Notes, we need to spend more time identifying how monetary policy can either create a bounteous and effective world, or not. She lays out in one section a few “deficits that matter” (Employment, Healthcare, Education, Infrastructure), which she argues are far more worthwhile to focus on as opposed to a federal currency deficit with purely theoretical harm. (Cont. Next Page)
To see the merit in the MMT framework is not at all to eject the relevance of good taxes, but rather to focus on how these good taxes will create positive effects in the real economy, something a Land Value Tax has in its favor. It’s worth remembering the work of the early fiat currency theorist Silvio Gesell (who Keynes himself called an “unduly neglected prophet” of whose great insight Keynes drew upon). In Gesell’s central text, “The Natural Economic Order,” he reserves a third of the book to explain the necessity of land reform, in the model of Henry George, in order to stave off inflationary behavior as his particularly volatile brand of fiat currency was administered.

It’s worth noting that MMT is already unlocking doors; the COVID relief spending is already moving new spending in greater quantities than the subprime-era bills, for the reason, in part, that the Deficit Hawks have less sway now than a decade ago. Paradigms that have political and explanatory power may quickly rise in importance, and it’s for this reason that reading Stephanie Kelton’s “The Deficit Myth” is a worthwhile use of energy.

Upcoming Events

Join The Center for Property Tax Reform and 5th Square for a FREE webinar on Tuesday, February 23 exploring how abandoning the traditional property tax in favor of a land value tax could be the economic vaccine that the City of Brotherly Love needs.

Register at: https://centerforpropertytaxreform.org/events

Presenters include:

Wilson Goode Jr., Philadelphia City Councilperson
Maria Quinones-Sanchez, Philadelphia City Councilperson
and additional influencers and elected officials from Philadelphia

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