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RSF DIGEST

NEWSLETTER OF THE
ROBERT SCHALKENBACH FOUNDATION

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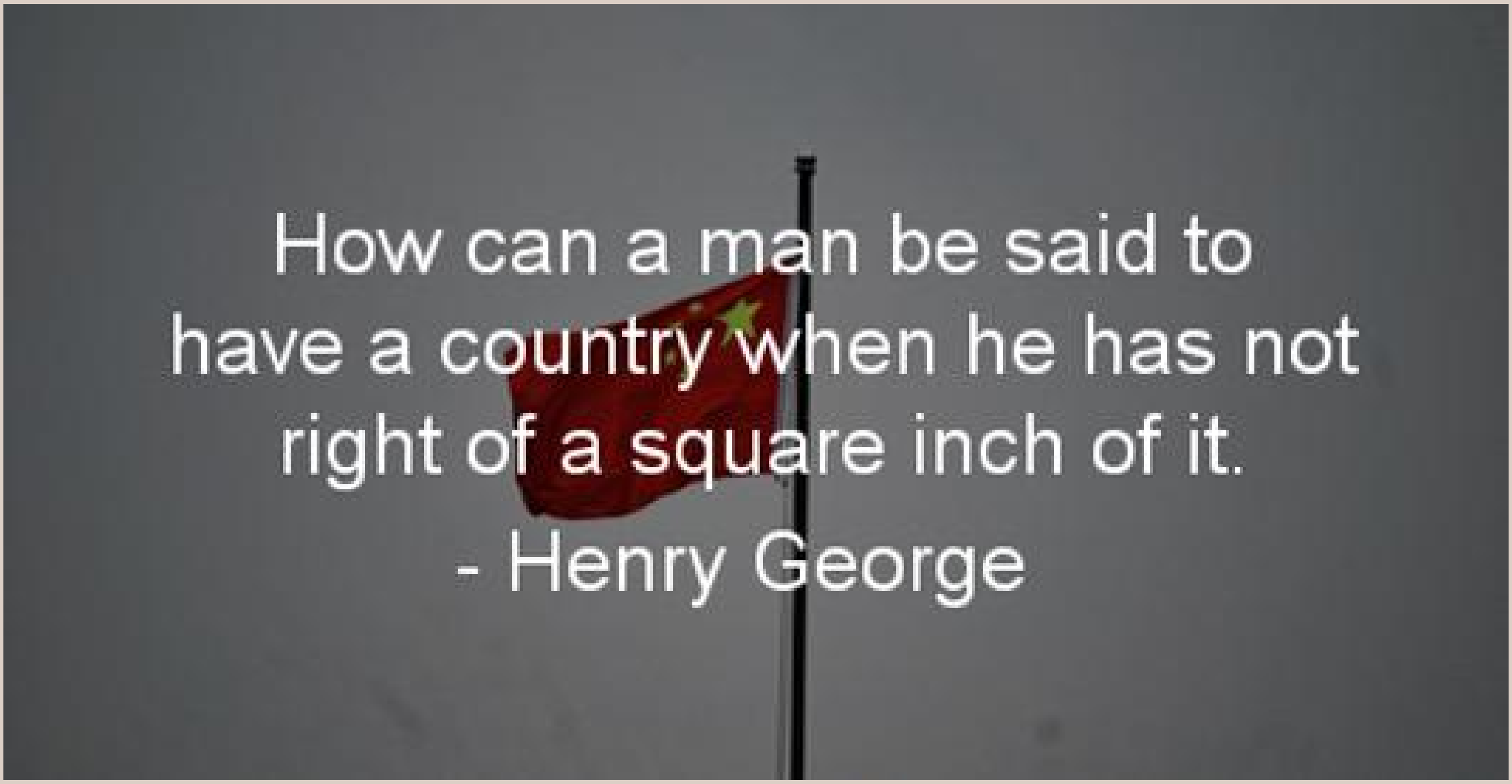
The Robert Schalkenbach Foundation (RSF) is a private operating foundation, founded in 1925, to promote public awareness of the social philosophy and economic reforms advocated by famed 19th century thinker and activist, Henry George.

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.

Usufruct:

(noun): the legal right of using and enjoying the fruits or profits of something belonging to another.



Letter from the Executive Director

REMEMBERING FRED FOLDVARY

BY JOSIE FAASS, EXECUTIVE DIRECTOR

It is early morning as I write this, a cat on my lap and a dog at my feet. Many mornings feel the same, the sun's rising ushering in a continuum of household and workday responsibilities. This morning is different, though, more somber. Last night, I received a voicemail we had all hoped would never come: a message informing us of Fred Foldvary's passing.

I've been with RSF for just over two years now, and Fred has been a constant presence throughout that time. He served as the Foundation's Treasurer, and was always quick to sign any paperwork we needed him to execute, or to provide feedback on budget questions and best practices. He attended every meeting of the Board, from the biggies (like Executive Committee and Annual General Meetings) to the optional gatherings (like programming discussions and communications brainstorming sessions).

Fred had an amazing ability to apply his knowledge and beliefs to the things he saw around him, and was beyond accommodating in his willingness to be "voluntold" to write original thought pieces for our website, blog, and newsletter. (His articles drew on his vast and unique understanding of economics and Georgism. This edition contains two such articles.)

The RSF Digest is moving to a quarterly publishing schedule! But don't worry, the content you love will still be landing in your inbox every month in smaller, more focused communications.

Anyone who met Fred recognized his quiet, steady, wise presence. He was accomplished, yet humble. He knew how to laugh at himself and how to give space to others' ideas and grace for their mistakes. His enthusiasm for the Foundation's work and mission never waivered. We were not ready to say goodbye, and he will be missed greatly by the RSF staff and his fellow Directors, as well as by the countless others whose lives he has touched, either directly, or through his many publications and lectures.

RSF has plans for a more fitting and thorough memorial in the future. If you have stories or images of Fred you would like to share, please send them to **marketing@schalkenbach.org**. For now, though, this brief description of a life well lived and a man well loved will have to do.

"My educational and moral background and my desire to continue to learn have led me to three main policy prescriptions: 1) implement natural moral law; 2) implement Georgist public finance, and 3) implement local and contractual democracy. As recognized by Georgists, land-value taxation is not a mere tax reform, but is the gateway towards a free and equitable society."

Fred Foldvary in his piece "Why I am a Georgist"

DIRECTORS' PERSPECTIVES

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

THE BASIC FUNDAMENTALS OF GEORGISM

BY BILL BATT

Although the political-economic philosophy of Henry George was once common to most literate people in the western world and even beyond, the past century has seen its resurgence in many quarters. This is due in part to the advent of easier communication through the Internet and other avenues. But it is also due to the power of computers and available data that allows demonstration and simulation of models that show the tractability and validity of Georgist ideas.

The basic idea is quite simple, and has roots traceable to ancient cultures and civilizations: that any materials of market value that are not created by human hands or minds are owned by people in usufruct, and only those items of our own creation can be owned outright. The contrast is usually drawn between market items owned provisionally, in usufruct, and those owned in fee simple. Other terms often used to draw the contrast are articles in leasehold versus those held as freehold.

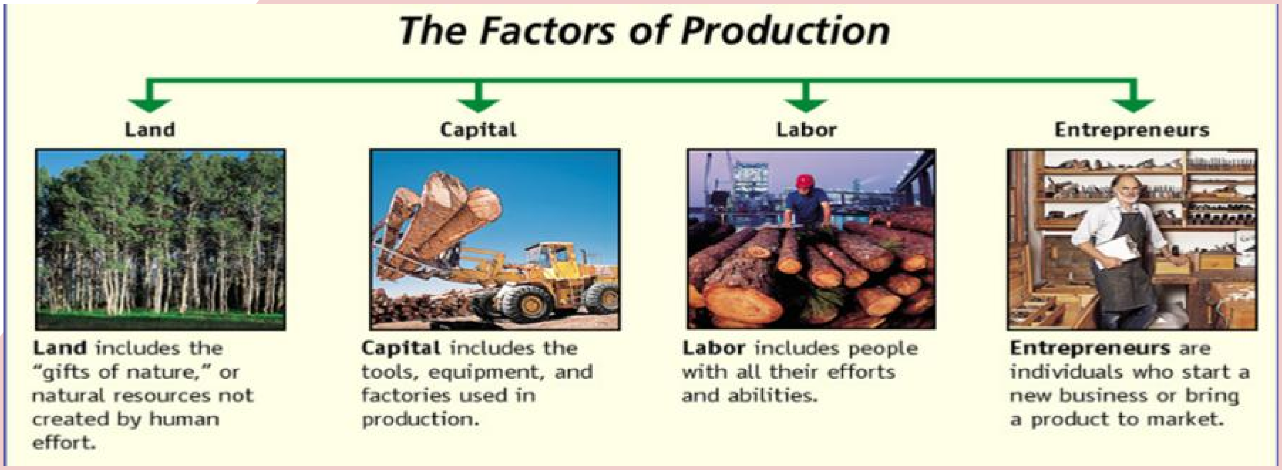
Classical economics, growing largely out of the writing of Adam Smith's Wealth of Nations, followed by further works of Thomas Malthus, David Ricardo, John Stuart Mill, and culminating best with Henry George's noted opus Progress and Poverty, outlined clearly the framework from which the modern Georgist paradigm exists. George died in 1897 and his tradition remained strong until the 1920s, after which it was supplanted by a discourse that dominated economics throughout the end of the last century.

Unlike the thinking that characterizes what is labeled neoclassical economics, classical political economy was framed by three factors of production – land (meaning any and all resources with market value not of human origin), labor (the product of people's minds and sweat), and capital goods, the products of the first two factors (tools). Each of these factors had its price: the price of capital was interest on its use, the price of labor was wages, and the price, really the yield, of land was its rent. It is rent that has largely disappeared from the measurement of natural resource use. This is because land, the wealth of nature, has been been conflated into capital along with other goods - both are regarded as capital assets.

Georgist thought also maintained that the resources of nature were the common heritage of humanity, the birthright of everyone, and that the market yield that arose from their use constituted a rent that should be recaptured by society to pay for the goods and services, which the public needed. Henry George argued that the public collection of resource rents would be sufficient to pay the costs of all such needs so that there would be no call for the taxation of labor or capital goods. Contemporary economists who subscribe to the Georgist view, like Joseph Stiglitz, have named this the Henry George Theorem.

If the collection of revenue from the flow of resource rents can be called a tax, the act of doing so would have the effect of protecting what has historically been the "commons." Today, whether it is in the form of pristine nature, rents collected from such, or the resulting provision of public goods and services, all of these have the effect of being the modern-day commons.

A century ago, the Georgist idea was sufficiently logical and compelling enough that millions of people were persuaded by it. Progress and Poverty, the first of George's six books and many articles and speeches, was translated into 14 languages and sold more copies in a short period than any book ever published -except the Bible. The persuasive power of George's language was, by itself, sufficient to win the day. Today, Georgist acolytes are able, with the power of empirical analysis using computers and available data, to make tractable arguments that add to persuasive language. It is also possible to show that the tax regimes that presently prevail have marked downside effects, whereas a tax on the flow of resource rents has all the attributes of a perfect tax. This, follows all of the principles of sound tax theory that have obtained in recent decades.



DIRECTORS' PERSPECTIVES (CONT.)

THE ONLY JUST SOLUTION TO THE ISRAELI-PALESTINIAN CONFLICT

BY: FRED FOLDVARY

The Israeli-Palestinian conflict is about land, and the only just and lasting solution is an equal ownership of the land. This cannot be an equal possession of land, but the benefit of land is fungible, i.e. divisible. That benefit can be measured by what people pay to possess land, namely the market rent of land. The practical equal ownership of land is an equal share of its rent.

There is much talk of a two-state solution, or a one-state solution. The best governance structure for the territory is to have three-states: Palestine, Israel, and a Confederation of the two. A Palestinian state is inevitable and already recognized by many countries, but it is impossible for it to exist without an association with Israel. There would need to be agreements and dispute resolutions on common resources such as water, so a confederation government is optimal.

For starters, the government of Israel should stop destroying and taking over the property of the Palestinians, a source of much of the current conflict. In a lasting solution, the State of Palestine would have the current borders of Gaza and the West Bank. The key problem is the Israeli settlements in the West Bank. The just solution is to convert the settlements into leaseholds that pay ground rent to the Palestinian government.

Many people on both sides have taken maximalist positions. Some Palestinians demand the expulsion of all the settlers, while some Israelis seek a continuous expansion of the settlements. The least worst solution is that no settlers are forced to move, but they must compensate the Palestinians for the exclusive use of that land.

In the longer run, an equal ownership of the land would have each landowner pay ground rent to the Confederation, except that the ground rent of the West Bank settlements would be paid to Palestine. The rent obtained by the Confederation would be distributed in two amounts. Half the rent would pay for the expenses of the Confederation, and the other half would be periodically distributed to the residents. Thus each person would see a concrete benefit as an equal owner of the land.

The Palestinian Arabs have inflicted violence and terror on the Jews of Israel, while the Israelis have been arrogant in grabbing Arab land for settlement expansion and, according to many accounts, for overly harsh treatment of Palestinian Arabs. Israeli Jews and Muslims plunged into a tragic civil war in May 2021.

Both sides are stuck in a "who goes first" trap. Israelis say, first stop the rocket attacks, bombings, and terror. The Palestinians say, first stop the checkpoints and expulsions, and end the occupation. Israelis point to the fact that after they removed their settlements in Gaza and left that whole

Iterritory to the Arabs, the Palestinians responded with rocket attacks on Israel, and the residents of Gaza have chosen a government that refuses to accept the presence of Israel regardless of its boundaries.

If the Israeli government and the Palestinian National Authority are unwilling to negotiate a confederation funded by ground rent, the rest of the world could implement the concept by recognizing and promoting the confederation, even in the face of opposition by some Israelis and Palestinians. If governments do not seek the Confederal solution, then peace groups and pro-justice individuals should do so. There is already an organization promoting an Israeli-Palestinian Confederation (**https://ipconfederation.org).**

Let us recognize the Confederation of Israel and Palestine as the legitimate government of Israel and Palestine, and equal rights to the land, as reflected in its rent, as the unique just solution to the conflict. Let there be a global organization of those who recognize and promote this peace plan, and let this grow until those who have power are compelled to confront the idea of a Confederation with equal rights to the land.

CALIFORNIANS LEAVING FOR GREENER PASTURES

BY:MATTHEW DOWNHOUR

After working in California for four years, I returned home to Montana in June of 2017, and jumped into planning my wedding to my then-fiance' that August in our hometown of Helena. We lived in Utah for a school year – she was teaching art, I was working online – but, by the 2020 census we were home in Montana again. As I filled out the census, I mused to my friends back in California that, by filling out my residence in Montana, I might be the tipping point that awarded Montana another representative, and cost California one.

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CALIFORNIA (CONT.)

Results are in, and while which individual was *precisely* the one to tip the scales is of course unknowable, Montana did gain a second seat in the House after three decades of having a single at-large Representative. California lost one for the first time in its history. Conservatives were quick to point to this as further evidence of the supposed leftist apocalypse that was California, with wealthy, Galt-esque residents packing up their bags and heading to greener pastures to escape the state's "crushing income taxes".

But I suspect – and the data bears this out – that most of the people leaving California were much more like myself, leaving not because their incomes were taxed too heavily but because they could not afford housing in the overinflated markets. They were also stifled by the high cost of living that came from sales taxes and high rents. Aspects of the California economy are causing the poor and middle class, not the wealthy, to struggle. But, the root is what they do not tax as much as what they do. The tax structure is set up to protect the interests of incumbent owners of expensive properties does exactly that, and the rest of Californians pick up the tab.

A look at who is leaving California is available here, and the results are quite contrary to the narrative. While some wealthy individuals and firms – Elon Musk springs to mind - may be noisily moving to Texas, the majority of people leaving are making under $100,000 a year. In fact,, those making above that mark are more likely to relocate to California than to leave it.

The source of the problem is that Californians suffer from the highest poverty rate in the country when adjusted for the cost of living, taxes, and transfers – a measure called the Supplemental Poverty Measure. There are several factors at play in producing such a high cost of living, but the most prominent include rising rents and high sales taxes. Both of these are exacerbated by California's laws restricting the taxation of property. Prop 13, passed in 1978, limits property tax rate to 1%, and sets taxes based on the last sales price, rather than the market value, of property. This has had deep impacts on California's political economy.

For one thing, incumbent homeowners may pay much lower property taxes than new owners, since their taxes are based on the year in which they bought their property. This discourages relocation, as a newly-purchased property will have a much higher yearly cost; property transfers have fallen considerably in California since 1978. Along with regulatory constraints and other problems common to most states, this has hindered the provision of housing, by reducing the cost of withholding land from the market. Moreover, since land has tended to appreciate in most of the state, the tax structure ends up taxing land at a rate far below 1%. Combined with exceedingly low interest rates, this has made land a good passive investment and has reduced the incentive to develop new lots. When Mark Zuckerberg buys and tears down four houses adjacent to his for more privacy, he can do so in the confidence that his taxes on those millions of dollars' worth of Palo Alto land won't rise much above 1% of the purchase price

in 2016 when he bought them - regardless of what happens to the land value over the years.

The decline in property tax revenue has also pushed the state to adopt higher sales taxes. Not only does the state collect a 6% tax itself, but counties and cities are required to collect an additional 1.25%, and many opt to collect still higher rates.The reliance on tax collected from retailers has also encouraged localities to promote commercial development over residential offerings, skewing zoning and further driving up rents. While some essentials like groceries are exempted from the sales tax, the result is likely still regressive, hitting lower and mid-income Californians the hardest.

All of this adds up and contributes to the fact that nearly one in four Californians is living in poverty according to the supplemental poverty measure. California critics are right on one point – the tax code in California has created a major problem. But it's the burden it places on the working class that they should be worried about. Until Californians show a willingness to shift that burden, the 2030 census may be no kinder than the 2020 one.

REPLACE MINIMUM WAGES WITH THE EARNED INCOME TAX CREDIT

BY:FRED FOLDVARY

I wrote the below article five years ago. Though time has passed, the issue of minimum wage continues to impact our political landscape, our economic landscape and our social landscape.

Original article:

Minimum wage laws have a superficial appeal, but are much less effective than the earned income tax credit. Within the current US policy system, there are two ways to increase the incomes of low-paid workers. The more popular method is to increase the legal minimum wage. The more effective method is to increase the EITC: the earned income tax credit.

The EITC is a reduction of taxes on low-wage incomes. It is also called a "negative income tax" because for very low

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DIRECTORS' PERSPECTIVES (CONT.)

MINIMUM WAGE (CONT.)

wages, the worker not only owes no ordinary income tax, but receives money from the government. The amount of credit depends on income and number of children. Having started in 1975, the EITC transferred $63 billion worth of income to 28 million families in 2011. Some 25 US states have also enacted an EITC for their income taxes.

A legal minimum wage is in effect a tax on the employers of low-income workers. Suppose the minimum wage is raised from $10 to $15 per hour. This regulation is equivalent to paying a $10 wage, taxing the employer $5 per worker-hours, and transferring the $5 to the worker. The effect is that the minimum wage acts like a tax on the employers of low-paid workers.

By making labor more expensive, the implicit tax on low-paid employees reduces the quantity of labor hired. The minimum wage is only the beginning of labor costs. The employer has to pay half the social security tax, insurance for worker injuries, unemployment-compensation taxes, administrative costs, litigation insurance or risks, and, for larger businesses, medical insurance. The $15 money wage creates a cost of labor of $20 or more.

If an enterprise buys machines and other capital goods, it receives a tax reduction, often all in the first year. But if an enterprise hires an extra worker, it gets slapped with higher taxes. The tax burden of hiring low-skilled labor induces firms to, over the long run, replace labor with machines. A fast-food restaurant, for example, could replace workers who take orders and deliver food with a machine in which the customer makes a payment, selects his choice, and removes the food from a box. For manufacturing firms, the forced higher wage payments induce the company to move its operations to another country.

While trade and technology are blamed for the disappearance of jobs, we don't know how many jobs have disappeared due to the imposition of taxes on labor, both on employees and employers. Henry George in his book Protection or Free Trade recognized that much of the gains from trade and technological progress are captured by higher land rent, so while national income rises, wages might not receive the benefits, due to both the capture by rent and by taxes on labor.

"There should be a national minimum wage of $15 an hour. Nobody working 40 hours a week should be living below the poverty line."

~ President Joe Biden

The EITC is in effect a tax on the whole economy rather than being focused on employers. While the income tax that finances the EITC generates an excess burden, the burden is spread out, and so it does not reduce employment nearly to the same extent.

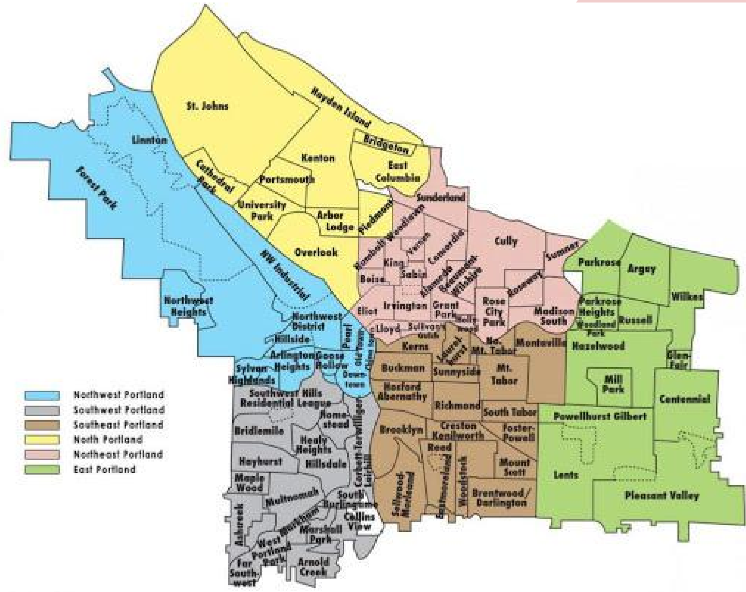
Tax-free labor would make American workers among the most productive in world, relative to wages.
The best long-run solution to the problem of both unemployment and low-wages is to completely eliminate taxes on wages. Tax-free labor would make American workers among the most productive in world, relative to wages. With the replacement of taxes on wages with taxes on rent, not only would labor be paid its economic contribution to output, but the income from land would become equalized, reducing economic inequality not by investment-hampering redistribution but by the equitable initial distribution of income.

None of the candidates from the political parties that are on ballots, including the challenger smaller parties, are advocating the replacement of minimum-wage laws with a greater EITC. That's because the public clamor is for higher minimum wages. Most people think only of the superficial appearance. Superficially, people think that if worker wages are too low, government can force them higher. The typical "progressive" and "liberal" activist sees the superficial solution, and may not even be aware of the more effective alternative.
I have said before that the main benefit we get from learning economics is to understand the implicit reality beneath superficial appearance. The implicit reality of higher minimum wages is the opportunity cost of not having instead a higher earned income tax credit, and the resulting loss of employment and investment. Before blaming trade and technology for low wages and less employment, blame taxes and artificial minimum wages.

GUEST PERSPECTIVES

INCENTIVIZING LOCAL ZONING REFORMS WITH LAND VALUE TAXATION

BY:TOM GIHRING



Portland's recent amendment to the zoning code allowing two to four units on single-family lots is a significant step, potentially increasing the supply and affordability of housing. But the new rules do not provide economic incentives to make the policy effective for increasing production of "missing middle housing". There is a growing realization that using the tax system as an incentive tool can be an effective market-driven means to increase housing production.

The purpose of this working paper to test the proposition that incentive effects of a land value tax will encourage owners of underutilized single-family parcels to redevelop their properties to small scale multifamily housing. Using parcel-level data from Portland's Inner Northeast neighborhood, we first calculate zoned development capacity on existing vacant & underutilized parcels using the parameters contained in the amended zoning code limiting the zones that qualify and increasing allowable site densities and minimum lot sizes to accommodate duplex, triplex, and fourplex buildings. We then calculate assessed land & building values on qualifying parcels in both their underutilized and hypothetically redeveloped status.

Simulating the application of property taxes, a redevelopment scenario compares the tax levies on existing underutilized sites with the same sites redeveloped. Comparisons are made across three different tax regimes: MAVs, RMVs, and a split-rate tax: 90% on land assessments. Changing from the current system based on MAV taxable assessments to an equal rate tax on RMV assessments, and on to the LVT system, tax levies become progressively higher on vacant & underutilized parcels. The converse effect is the lowering of tax levies when the same parcels are redeveloped. Converting underdeveloped sites to duplexes yields an overall average annual tax benefit of $4,885; converting to a triplex or 4-plex building yields $6,562 in savings. The marginal benefit of choosing a higher density option over a single-family rebuild is in the range of two to four thousand dollars. Basically, the LVT shifts tax burden off more efficiently utilized sites onto less efficiently used sites.

HEY MILLENNIAL HOMEOWNER, OUR HOUSING SYSTEM IS GOING TO CRUSH YOU

BY:MANU DELGADO-MEDRANO

By now, it has been well-documented that Millennials have had a hard time buying into the American Dream. While incomes have stagnated in the past twenty years — our formative years — home prices have increased exorbitantly[1], making homeownership an unlikely prospect for most of us.

Today, in a city like Los Angeles it would take the median household 25 years of saving 8% of their income (a historical benchmark) to have enough for a down payment. As a result of this reality, the homeownership rate amongst Millennials is 7–8 percentage points lower than the rate Gen-Xers and Baby Boomers had when they were our age[3]. And those Millennials who have managed to buy a home have had to save a larger share of income[4] and for longer than previous generations just to be in a position to do so; they have also had to invest much more in education while taking on a lot of debt.

But you my friend, you're one of the lucky ones. Against all odds, you finally bought a home. You went to all the right schools and you've had all the right jobs. You are finally — now in your mid to late 30s — in a position to purchase a home. The jobs that sustain your relative privilege are concentrated in a handful of exceptionally expensive cities and you were therefore trapped facing the toughest housing markets for years, but you somehow pulled it off. Chances are you didn't do it on your own, though. You probably have a partner with a similar income to yours and, more likely than not, you received help from your family to be able to come up with the enormous down payment[7].

Ironically and perversely, the pandemic has been a blessing for some of us: Millennials with stable jobs have saved up a good chunk of their disposable income, received stimulus money, and are now benefiting from persistently low interest rates. This allowed many Millennials to become first-time homebuyers in 2020[8]. But even prior to the pandemic, Millennials had already, slowly but surely, begun to gobble up more homes than any other generational group.

So, now that your time has arrived, that you have lived up to the greatest challenge your society has placed before you, now you can finally breathe, right?

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You can rest assured that all is well. But is it really? I'd hate to burst your bubble, but you need to realize that even though you now own a house and that for a split second you might have felt an immense sense of security, you are still not in the clear. You need to realize that the housing system you just bought into is not looking out for your best interest today nor in the future and that, eventually — maybe not today, maybe not tomorrow, but someday soon — you will get crushed.

I don't want you to feel guilty or anxious. You live in a society that has shown you that you are on your own and you feel that the only way to stay afloat is to accumulate wealth, especially through housing. Most everyone else who hasn't been able to buy a house yet would also do it in a heartbeat. You might not even see your house as a commodity, you might not be seeking to flip it, and you might not even see it as a mechanism for accumulating wealth (although you probably do…). Regardless of what were your intentions in purchasing a home, there are at least five reasons why you should not turn a blind eye to the destructive and unsustainable nature of the housing system you just bought into and why you should do everything you can to change it.

Before I dive in, let me be clear on one thing: I am not suggesting that you should go back to renting if you already purchased a home. I do not think enriching landlords is the answer either. My point is that no one should enrich themselves through land, period. My point is that if you, like me, have already bought a home then we still have a choice in how we relate to that home and what we do with it: do I see my house for what it is — a home for me and others — or do I see it as an asset, an investment opportunity, my retirement plan, a commodity to be accumulated, traded, and disposed of for profit? In practice, what I am asking of you is to recognize the problems with this system, how it will ultimately impact you, to challenge it, and to be willing to relinquish the valuation that accrues to your house because this is not something you yourself earn.

1. You Will Be Stuck

You say to yourself, "Nice, I bought my house in DC for a cool $700,000 and by the time I retire it will be worth $1.3 million or maybe even more. I will make a killing!" The problem is the following: given our current housing system, it won't be just your house that will have appreciated tremendously; all houses, all over the country will have appreciated in turn, perhaps even reaching DC levels once most markets are tapped out.

So how exactly are you going to be able to cash out and turn a profit? Where will you live after you sell your exceedingly expensive house? Will you be able to move to another house in the DC area and how much will that cost? Will there be any Nashvilles and Austins and Charlottes and Portlands left for you to escape the ever-escalating prices? Arguably no, those cities are already becoming extremely expensive themselves, as are most cities, even small ones, around the country.

So, it is likely that rather than making a killing you will be stuck with your super-expensive house, having paid a massive mortgage for 30 years, pouring the vast majority of everything you ever earned into it, and with nowhere else to go. You will live in your same house until you can't live on your own, at which point you will happily hand over all of your "profit" to the nursing facility that will take care of you, left with nothing. So much for building wealth…

2. Property Taxes Will Eat You Alive

Even if you paid your home cash and even if you've finished paying your mortgage, you will never actually be done paying the obligations on your home. Your house will always be subject to property taxes and as property values increase ad infinitum, so will your tax bill. Perhaps one day you will want to retire and your income may be fixed, so what will you do as your taxes continue to increase beyond your capacity to pay them? Yes, assessment values usually represent only a small fraction of actual property values, but any increase in the property value over time — and given our housing system, they will only inevitably and exponentially increase — will make a difference to your overall property tax obligations.

3. Deep Inside, You Know It's Theft

In previous articles within this series, I have argued that the upholding of a system based on the commodification of land, the private appropriation of public value, and the accumulation of wealth through land is the driving force behind the housing affordability crisis. Additionally, I have discussed why profiting from land is ultimately immoral and unjustifiable.

You bought a home and you are now a part of all this, but you still have a choice: Will you see your home for what it is, a place where you and your loved ones can live, work, play, and thrive? Or is it an asset, one that needs to appreciate constantly, one that is to be disposed of, and which will be the basis for your accumulation of wealth at the expense of others?

You do have a choice and your actions going forward will be a reflection of that choice, one that you will have to make over and over again in the face of great temptation. Remember: if you make a profit from that house, you will be appropriating value that was mostly created by society. And even though we have chosen to not label that a crime, it is nonetheless tantamount to theft.

4. You Care about Others Too

We Millennials pride ourselves on our progressive values: we'd like to think that we care more about the planet,

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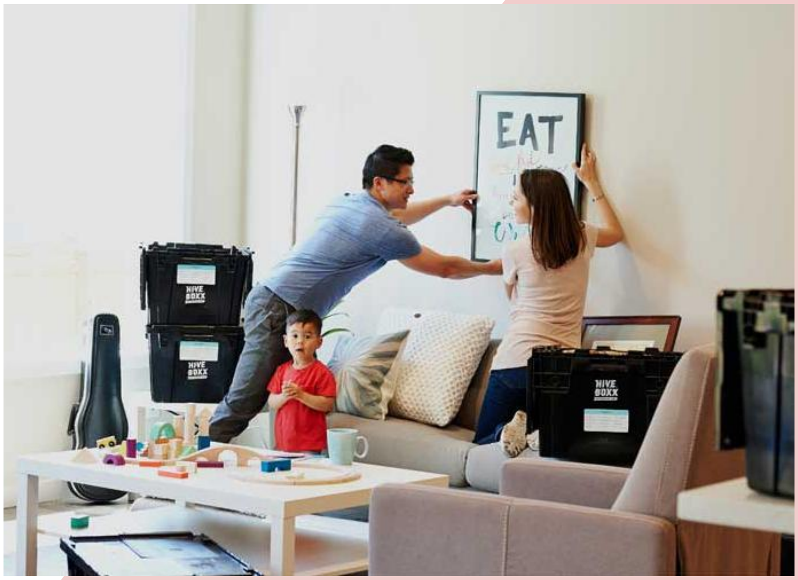
about social justice and racial equity, and about economic, political, and social inclusion overall. I do believe that even though we may not always live up to those values — we are all human, after all — we are ultimately different than previous generations and we do have a greater social sense of awareness and a greater social conscience.

If you do care about others as much as you'd like to think you do, then you need to remind yourself that even if you were lucky enough to buy into this system, it is unlikely you were able to do so because of your own merit; rather, it is more likely that you did so because of the privilege that was bestowed upon you by mere accidents of history: the color of your skin, the social class you were born into, or the lucky breaks you had. You therefore owe it to the rest of society to not take advantage of them. Had you been born to a different family or in a different place, you might not be where you are today.

Further, just as it was increasingly difficult for your parents to ensure that you were in fact well off, there is nothing to guarantee that you will be able to do the same for your own children, your nieces and nephews, or anyone else you leave behind. Remember, in spite of your privileges you still had to work harder and longer just to be able to reach the same place your parents and grandparents did. As long as our housing system remains the same, property prices will continue to soar, reaching unattainable heights; your loved ones will be worse off for it. What will you be able to do about all this then?

5. Your Sense of Safety Is Illusory
Our society is fragile, that should be more evident today than ever before. As the strands that bind us continue to fray before the social and economic challenges we face, as we continue to split into two economies, two parallel societies — one rich and one increasingly poor (and growing) — it is important for us to not take our safety and the protection of our property for granted. If we continue down this path of unconscious ;



> That is the heart and soul of the American dream, homeownership, the idea of being able to buy a house and start to build your family.
>
> Wendell Pierce

selfishness and greed — not just with regard to housing but in all aspects of our economic life we will reach a breaking point if we continue down this path of accumulation at all costs and of economic destruction we will pay the consequences. We will not have been the first society to have failed in this respect and we will probably not have been the last.

Will there come a time in our lifetimes in which your actions and mine and those of all others in our society will have contributed so greatly to poverty, inequality, and exclusion that there will be no turning back? Will there come a time in which the ravages that arise from economic, political, and social exclusion lead to violence, chaos, and societal collapse? Is that truly inconceivable from where we stand now?

There is no need to punish yourself for buying into a perverse system; you were driven to do so by a variety of factors, many outside of your control. You should also not punish yourself if you haven't been able to buy in thus far but are desperate to do so. Again, it is mostly not your fault. But we all do need to muster the courage to recognize that this system is, in fact, perverse and unsustainable and that our actions and our privilege have adverse consequences on the lives of others with whom we are ultimately bound.

It may be painful to recognize this and our role in this whole tragedy, but we must do so now. We must do so, so that our actions going forward are conscious, rather than compulsive; we must do so, so that you and I can change the hearts and minds of others and together find ways to implement the systemic changes required — no easy feat — to redress the damage we and those who came before us have caused; we must do so because we love others and because we want to leave behind a better world, a better country, for them.

The Center for Property Tax Reform

AFTER COVID AND LOCAL RECESSIONS: UNEARTHING THE BIG APPLE'S REVENUE UNDER ITS FEET

BY:CPTR CO-DIRECTOR JOSHUA VINCENT

Last January, CPTR piped up with its observations on the surprise bid of Andrew Yang for the mayoralty. Borrowing from his own 2016 presidential campaign, he proposed a basic income (BI) plan for those New Yorkers left behind by pandemics, economic collapse, and no housing.

At the time, a question arose: where's the money? In the previous incarnation of the BI, a proposed sales tax would provide the Simoleans. The internal contradiction was apparent to those who follow tax policy. The sales tax is regressive and the dominant powers in society are okay with that. In such states as Georgia, Mississippi, and Alabama, dependence on the sales tax is legend (Want to buy fresh produce? There's a tax for that!). There's a lot of poverty in those three states, with no signs of improvement. In those states, the sales tax covers many products and services to make up for vestigial property taxes and low-sh income taxes.

Sales taxes are high in New York State and City, and those applied to food seem like a minefield to snare the unwary corner store. The combined sales tax is 8.875% in the Big Apple, although the archaic service of shoe repair is exempt! So, we can finally put the sales tax delusion on the back burner.

Yang's other suggestion for funding BI was a value-added tax (VAT). A few experts claim that VAT is less regressive than the sales tax, but that depends on where you're buying toothpaste. Some rates imposed are hair-raising.

A new approach
Since VAT is a national tax, and New Yorkers can't handle more sales taxes, Yang's campaign looked for an alternative but reliable source of revenue for his program. Taxing not for profits is an idea anybody should entertain, primarily when tax-exempt Madison Square Garden serves as the Catherine Wheel for James Dolan with the Knicks and the Rangers as court jesters.

Some researchers contacted Andrew Yang's staff and suggested that considering the amount and value of vacant and blighted land in New York, they should consider creating a new class of real property. That could raise serious money either for the general fund or earmarked projects of urgency to New York City.

The Researchers:
After several meetings to provide clarity and some deep data dives, the Yang campaign debuted a version of what CPTR had crafted with its studies. To their credit, the campaign shined a light on a previously murky and arcane issue: should New York City have a system of property tax and assessment that lets vacant and blighted lots off the hook? Historically, many neighborhoods suffered the ill effects and economic drag these parcels represent. The neighbors know it, their elected leaders know it, policy shops study it and understand it, but nobody has done anything to fix this flaw in the system.

The Yang campaign settled on valuing vacant and "wasted" parcels at 100% of market value. It sounds reasonable. In contrast to the CPTR plan and how Washington DC does it, it's not as transparent as it could be. Because Washington has different classes (including one for vacant and one for blighted parcels), identifying and sorting these parcels for public policy purposes is clear-cut.

Yet, the Yang campaign's proposal is new and bold for a city like New York, that for such a vital place seems permanently committed to baby steps. The revenue target is $900 million, which appears a heavy lift. The campaign is clear this is not just a revenue tool but also an economic development tool. Here is a stick in addition to the many carrots provided to the real estate interests that loom large in the Big Apple (they use big clubs for bodegas with noncompliant awnings, food carts, and so on).

Martha Stark, former New York City Finance Commissioner and coordinator of an extended grinding class-action lawsuit against the current assessment system, came out with a thumbs up for the idea. Still, she wondered how realistic the revenue stream was. Her best estimate was $500 million.

It's not just a coincidence that many of the left-of-center candidates for Council have reacted enthusiastically to the original proposal of adding a Class V of property under the CPTR plan, along with Dianne Morales running strong for

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mayor. Some are on the record favoring an overall shift from buildings to land values in a graduated and organized program.

Former Manhattan Borough President, now city controller, Scott Stringer, championed a pilot program to incentivize (with prejudice!) vacant residential lots in Manhattan north of 96th St. The program has been in place successfully since 2008. Because of the way things are, his support for LVT became muted; however, he did give his latest press conference in front of a vacant lot in Brooklyn.

New York City's assessment and taxes: a devil with many details

Yang's plan may confuse because New York's property valuation system, in addition to its tax rate system, is an outdated oddity, a relic of those wacky and wonderful 1980s – like parachute pants and oversized shoulder pads.

Where to begin? In the late 1970s and early 80s (against Gov. Carey's veto), in a bid to resurrect New York City (and give its remaining property owners a break), the state legislature passed a law that split New York City properties into four classes:

- Class I consists of residential properties.
- Class II contains co-ops, condominiums, and large residential apartment buildings
- Class III is public utilities (kind of like an innocent bystander in this story).
- Class IV is everything else.

Simple right? Nope, you forgot the assessment ratios!
Class I ratio is 6% of market value. Classes II to IV ratios are 45% of market value.

But we can't stop there. We have to apply tax rates now! The tax rates for 2021 are:

Class I – 21.045%
Class II – 12.267%
Class III – 12.826%
Class IV – 10.694%

Why the different tax rates? Because the tax rates get set by the semi-mandated share of revenue each class provides to the city[1].

Is it "what's the use?" Or "let's fix it?"

The takeaway is that people of goodwill in New York see the priority of fixing the system. The system benefits a few though, and the obtuse nature of New York City's assessments assist the new breed of rentiers who have – since New York's troubles in the mid-1970s – turn NY from a community of workers, families, and creators into a monoculture of media, finance, and power.

No doubt, landlordism took off in New York just after independence, with familiar family and street names such as Delancy, Roosevelt, Livingston, and even Trinity Church (especially Trinity), reaping the spoils of confiscated Tory land.

Therefore, this is an old story that, sadly, repeats. One need only look at formerly hollowed-out neighborhoods turned into "investment opportunities," shuttered factories that once made things by employed, productive people into lifestyle quarters for people who are cooler than you and me.

Ignoring the problem of vacant land highlights how much money is being left on the table to improve neighborhoods and lives. Case in point: 1472 Shakespeare Avenue, a sprightly little vacant lot of not quite 2/10 of an acre in the Bronx.

Corner lot, mixed-use, fit for a building for which the immortal Swan of Avon could be proud.

Zoning? Condo Residential.

- Sale Price? $1,850,000 (May, 2021)
- Market Value? $467,000
- Assessed Value? $13,273
- Actual tax bill? $2,835.39

Here's a snapshot of the story: the asking price of $1.85 million may be realistic, or it may be a fantasy of the landowner (who lives in the leafy suburb of Great Neck, NY). The market value of $467,000 has been reduced quite a bit over the past three years (from 2019 to 2022). Okay, all things being equal, that may be the accurate market value for an arms-length sale.

But wait what's this assessed value of $13K? Values for New York City properties phase in over a multi-year period. The intentionally Byzantine assessment system really can't tell you how they arrive at any one assessed value at any given time. Maybe they use Univac.

Now we arrive at the heart of the issue: the owner expects to get over 1 ½ million dollars, but the annual tax liability is a paltry $2,835.39.

In comparison, a two-story frame house owned by a no-doubt hardworking family a few doors down the block pays $2,450.48.

The system is broken, even with a putative "homeowner-friendly" assessment system. With much of the city on its back foot, now is the time to "keep it real," How? By creating market value assessments and policies to divert publicly created value out of private pockets.

[1] 1Beginning with the 1992 assessment roll the maximum annual change in levy shares was set at 5 percent. However, in many years since then the cap has been lowered in order to hold down tax increases for Tax Class 1 and sometimes Tax Class 2 properties. For the 2019 tax year the final tax rates were determined with the cap set at 1.2 percent.

Our virtual book launch celebrating the release of The Annotated Works of Henry George: Protection or Free Trade (Vol. IV) on June 3 was a huge success! With very engaged panelists and participants the event well well past the hour mark.

Thank you to all who joined us. If you missed the discussion, you can view it in its entirety at **https://schalkenbach.org/book-release/.**

Buy land. They ain't making any more of the stuff.

Attributed to Will Rogers in Peter M. Wolf;s, Land in America Its Value, Use, and Control (1981)

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