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RSF DIGEST

NEWSLETTER OF THE ROBERT SCHALKENBACH FOUNDATION

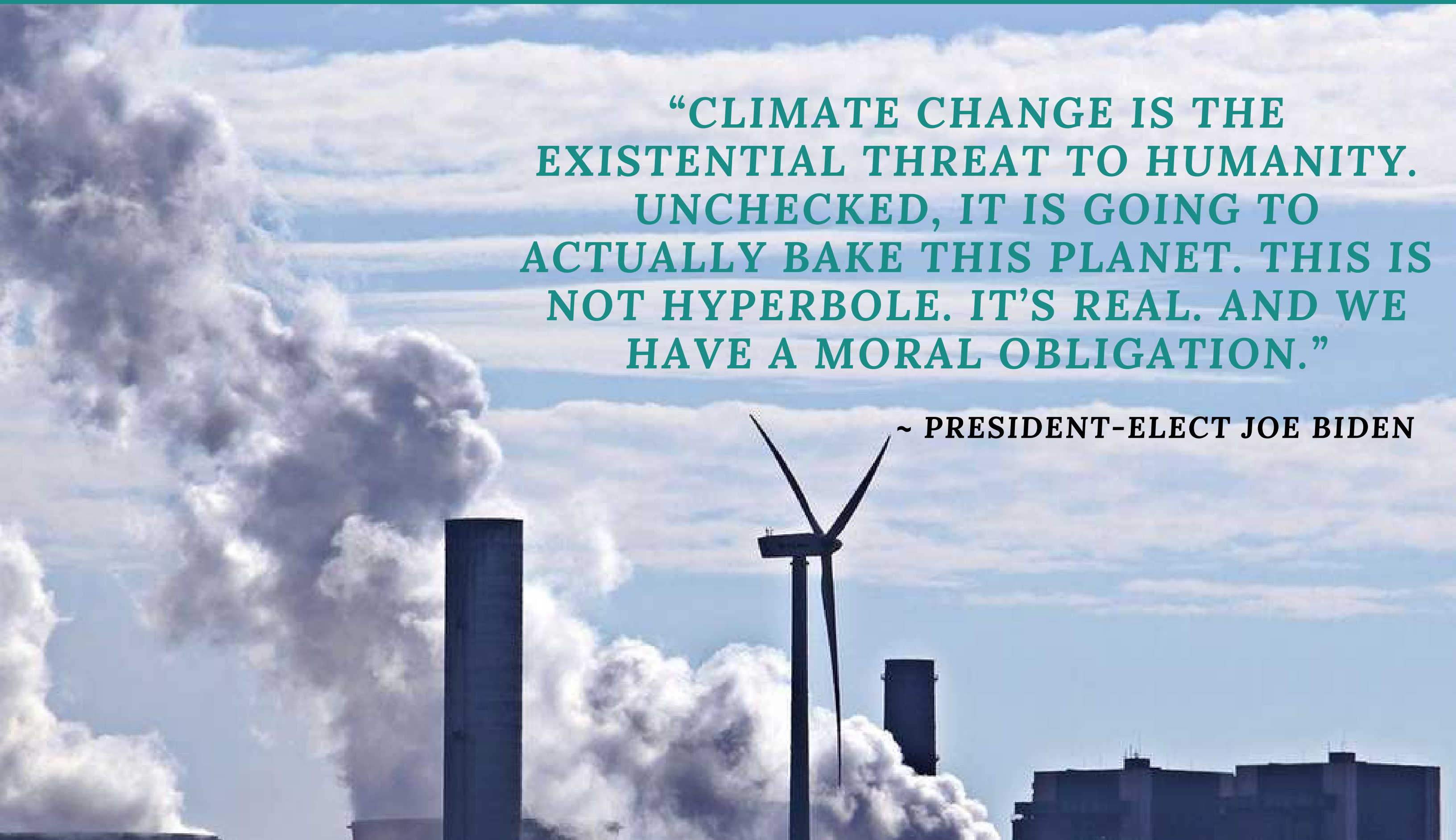
WHAT'S INSIDE?

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

RSF remains true to its founding doctrine, and through efforts focused on education, communities, outreach, and publishing, works to create a world in which all people are afforded the basic necessities of life and the natural world is protected for generations to come.

Lagging Indicator

(noun) A indication of fiscal change that reflects past trends rather than predicting future ones, for example, property tax revenues.



THE PRESIDENTIAL ELECTION IS OVER. IT'S TIME TO THINK LOCAL.

BY JOSIE FAASS, EXECUTIVE DIRECTOR

In the last weeks, our attention has (rightly) been focused at the national level, and in a time when the word "unprecedented" has been used so often it barely registers, it was hardly surprising that the 2020 Presidential election was one for the record books. But while what happens in Washington clearly affects each of us, the local politics and the fiscal health of our hometowns and cities have an arguably greater effect on our lived experiences.

Think about your daily choices and environment. This morning, did you make your coffee with water from the sink, or do you use bottled water because it's safer? Do you send your kids to public school, confident that they're getting a quality education, or do you pay for private school or tutors to ensure they get what they need? Is your neighborhood walkable? Is there trash on the sides of the roads? Do you have easy access to fresh groceries? Can you take public transit or do you have to own a car to get around? The questions could go on and on, but the point is this: what happens at the local level matters to virtually every aspect of our daily lives; and everywhere we look, COVID-19 has cities and towns across the United States struggling to make ends meet, and that means a diminished quality of life for many of us.

So, how bad is it? According to the National League of Cities 35th Annual City Fiscal Conditions survey, just shy of 90% of cities will be less able to meet their fiscal needs this year than they were last year. Why? The COVID-19 driven decline in tax revenues. The general outlook is bleak, but not all tax bases are created equal, and that's where the Robert Schalkenbach Foundation, and specifically the Center for Property Tax Reform (CPTR), come in.

A visualization of a New York City vacant land study the Center is conducting to inform potential property tax reform efforts there.

Sales and property taxes are the two most commonly relied on revenue sources for U.S. cities, with a smaller number (only about 10%) looking to wages as their major tax base. Sales tax is highly elastic, showing the nearly immediate effects of trends in consumer spending, which as we all know, contracts in periods of economic stress.

A quick scan of the U.S. Census' quarterly summary of state and local tax revenue data shows a more than 13% decline in seasonally adjusted sales tax revenue in the second quarter of 2020, as compared to the same time period in 2019. Given the nation's high rates of unemployment, it's not surprising that income taxes (corporate and individual) have fared even worse, dropping nearly 39% in the same time period. Property tax, in contrast, is far less reactive to short term economic stress, and although many residents are struggling to afford their mortgages in these trying times, the U.S. as a whole saw an increase of just over 1% in property tax revenues from Q2 2019 to Q2 2020.

That's where CPTR comes in. With the Center's expertise in working with municipalities to explore how this highly stable revenue source can be designed to enhance equity and incentivize investment and desirable land uses, we are poised to offer an economic policy lifeline to cities and towns nationwide, right when they need it the most. And with that in mind, I'm very excited to announce that we'll soon be growing the Center to include a full-time Community Outreach and Engagement Coordinator. This Coordinator will help facilitate the Center's existing efforts and work to grow its impact and reach to include new locales across the U.S. and beyond.

In next month's newsletter I look forward to introducing our new staff person. Until then, if you are interested in learning how CPTR can help your hometown thrive, even in a pandemic economy, check out the Center's website, or contact **info@schalkenbach.org**.

DIRECTORS' PERSPECTIVES

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

ASSESSING ELECTION RESULTS: DIVERSITY VS. DISPARITY

BY: BILL BATT

The 2020 presidential election will inspire more commentary than any prior American election story. Because, among other reasons, the opinion polls both anticipating and following November 3 were so often wide of the mark. Blame is now being assessed (see, for example, the New York Times column by Spencer Bokat-Lindell of November 5, 2020) suggesting that the polling profession missed the mark more often than it did with its poor record in 2016. There was widespread acknowledgement of that year's failures, and of the pollsters' failures, who have now laid claim to be the "profession" of "psephology," invoking a level of science and sophistication that in hindsight reveals itself to be the ultimate in hubris.

Throughout the campaign and even more so after the election, the polls statistically described the electorate across a multitude of categories. Among the most widely analyzed, beyond the conventional measures of age, gender, party affiliation and locality were, of course, the detailed breakdowns by race and ethnicity. The latter included not just Blacks, Hispanic/Latino, White, and Native-American, but further sub-categories within each of these identities. With all the identity politics at work in this election and in recent past years, it is no wonder that the Democratic Party should also have appealed for inclusion in the face of this kind of difference and division. It is no wonder too that in the post-election analysis each separate Democrat polling category has argued that it was singularly the segment of Democrat voters hat put Biden/Harris over the top. Women's groups argued that they are firstly responsible for this victory.

And the same with Black voters, especially Black women.

And even more so in this regard with the Hispanic/Latino community who, ironically, are struggling still to settle on a name to call themselves. And while pollsters are loath to break down the electorate in detail by religion, there is no hesitation about making separate generalizations about Muslims, Evangelicals and Catholics.

Beyond any analysis of past election seasons, the campaigns of 2020 were about diversity. There will be breakdowns of vote totals ad nauseum in the days to come, and each study will likely serve to amplify the significance of identity politics. Despite the appeals for inclusion, the watchword which for the moment seems to have the most resonance, we are being described as a nation not as a "melting pot," the term once used to describe the American population, but rather as a "salad bowl," a metaphor used more widely for Canada. **(Cont. Page 5)**

We Want Your Input

Thank you to everyone who participated in our October survey on the Supreme Court Justices. Below are the results:

Q1: How did you feel when you learned of Ruth Bader Ginsburg's passing?
Very Concerned/Afraid 55.6%
Concerned/Afraid 33.3%
Not Sure 11.1%

Q2. Do you think a new Supreme Court Justice should be confirmed before the November Presidential election?
Yes 22.2%
No 66.7%
Unsure 11.1%

Q3. Do you think U.S. Supreme Court appointments should be lifetime appointments?
9 is the right number 44.4%
More than 9 would be better 44.4%
Fewer than 9 would be better 11.1%

Q4: If you could appoint a Justice to the U.S. Supreme Court, who would it be and why?
Anybody not like the last 3
Any Centrist
Representative Katie Porter

Take our November survey on Taxation.

www.Schalkenbach.org/survey

PLATFORM CAPITALISM IS EATING YOUR TOWN

BY: FRANK DE JONG

Major internet-based platforms like Facebook, Amazon, Apple, Netflix, and Google (FAANG) command monopolies allowing them to charge well beyond their costs. (The House Antitrust Subcommittee determined in October 2020 that Facebook wields monopoly powers in social network and has maintained its position by acquiring, copying or killing its competitors.) The portion of FAANG's profits that lie above the cost of production are unearned, are economic rent, and should rightfully accrue to the greater community.

In the business world there are two distinct revenue streams: earned profit and windfall profits. Most businesses collect some of both. Earned revenue is generated by making a product or providing a service while unearned income results from a land, location, resource or market monopoly.Oil companies, for example, generate revenue by pumping fossil energy out of the ground and distributing it to consumers. They add greatly to their profits by holding long term leases on oil and gas fields, often keeping oil out of production to force prices to rise. Oil field speculation revenue has no cost of production.

Similarly, housing developers hold development land out of use until land values rise, then quickly build houses and realize massive profits well above the cost of construction. For developers, building houses is actually a sideline to their main business model of land speculation. A clear sign that the FAANGs are capturing significant amounts of economic rent is their ability to vacuum up competition. Google acquired YouTube in 2006 for $1.65 billion. Microsoft bought Skype in May 2011 for $8.5 billion. Companies dependent on producing goods or services rarely realize profits above 5%, not the kind of cash needed to buy up competing businesses.

Facebook is now worth $650 billion, with annual revenue of $70 billion. Google is worth nearly $1 trillion, with annual revenue of $160 billion. These revenue streams are the result of scalable technology – because the medium is electronic, relatively low development costs can be leveraged into stratospheric profits. Once a platform is built, it can add an infinite number of paying users with little marginal cost.

The internet is part of the commons, like water, like air, like the EM spectrum, like resources, like land. Compare Amazon to a brick and mortar store. Your local retailers face competition, collect only earned income, pay taxes, and are labor intensive. But, Amazon is internet-based, it maintains relatively few employees or buildings, and thus doesn't pay anywhere near its fair share of taxes relative to profits.

Monopolies pocket revenue that is stolen from the commons — revenue without a corresponding cost of production, wealth that rightfully belongs to the community. The difficulty is how to tax the internet commons without discouraging economic activity.
(Cont. Page 6)

A GREEN NEW DEAL TAX SHIFT

BY:FRED FOLDVARY

The "Green New Deal" is a set of proposed laws that are intended to reduce the pollution that contributes to climate change. The term is, of course, adapted from the "New Deal" policies of the Roosevelt administration during the Great Depression. New Deal policies included the destruction of crops, the creation of monopoly business cartels, and public employment projects. The New Deal did not end the Depression. Both the New Deal and the Depression ended with the entry of the USA into World War II. The Green New Deal name invokes the major interventions of the FDR New Deal. Green policy can take three forms. First is command-and-control legislation that mandates or prohibits particular actions. An example is limits on the production of gasoline-powered vehicles, or requiring additives to gasoline. Second is subsidies for favored actions, such as the production of solar panels. Third is taxes on emissions.
(Cont. Page 6)

ASSESSING ELECTIONS (CONT.)

The terms "ethnic stew "and "mosaic" are also often used when appeals are made for multiculturalism and tolerance. For election purposes, all descriptions of Americans as an admixture of separate identities may help in the formulation of campaign strategies, but they ignore another dimension of persuasion that is even more important.

This dimension, in contrast to appeals to diversity, is the importance of disparity. This election almost totally ignored the disparities of wealth and income that arguably bedevil our current national circumstances. We are, let's face it, not only in the midst of a pandemic; we are also plagued by a huge economic recession. There was little discussion of the economic plight of millions of our nation's citizens, except in the most general terms. Although the academic literature is replete with studies describing the present and growing levels of wealth and income disparity in the country, there was little public attention to these challenges at all -- anywhere.

The COVID-19 pandemic was a prime preoccupation of the national party strategists, with health care policy, race relations, and climate change following close behind. But it is not hard to understand that an underlying feature of all these concerns is the inequalities in household economic well-being and poverty levels. One needs to ask why such challenges had little or no part in this political season. Why were these other issues able to crowd out any discussions of economic disparity? Arguably, the reason is that there was little attempt to present the data, despite the fact that the professional analysis is all there to be had. Despite the power of modern computerized data analysis, as well as the availability of publicizing vehicles of every sort, there was little discussion of wealth and income gaps that underlay much of this election's discourse. It is not difficult to conclude that more analysis of personal financial affairs could have altered a good part of both the discourse and ultimate outcomes.

These underlying economic issues and questions reach every quarter of our society and provide answers that every part of our population is able to understand. The tensions between Americans can be explained not just by wealth and income disparities but even more by illustrations of the waste in natural resources, the loss of productivity due to ill-health and premature death, and most of all by poorly designed economic policies. Comparisons with other nations make it abundantly clear that our leaders don't have all the answers. The parochial and nativist character that today marks American politics will be the nation's downfall if it continues. First among these concerns should be recognition that a large proportion of the public feels disenfranchised. The recent election reflected this but did little to address it.

These matters need to be posed to both social scientists and "psephologists," if they are to remain relevant to the post-election analysis and discussion.

A SURPRISING VACCINE FOR CITIES HIT HARD BY COVID: PROPERTY TAXES

BY:JOSIE FAASS

Property taxes are ubiquitous around the world, and in the United States, they're a tax most people love to hate. Unlike sales and income taxes, which are baked into every purchase and paycheck, property taxes are added onto mortgage bills or mailed in as lump sum payments, making them a conspicuous irritant to the person cutting the checks.

Many of the other taxes we pay are determined at the state or national levels, giving rise to large scale patterns of taxation. Property taxes, on the other hand, are mostly determined at the local level, and can vary widely between states and even across neighboring towns within the same state. And because they're calculated by applying a formula to the value of a person's land and buildings, the appropriateness of each bill depends heavily on the accuracy of the property assessments upon which it is based. As a result, property tax bills differ considerably from parcel to parcel, giving the impression of arbitrariness that can be infuriating to home and business owners alike.

By embracing our disdain for the property tax, however, we're missing out on the very real benefits this tax can produce when correctly conceived and administered. This is where the Center for Property Tax Reform (CPTR) comes in. A joint effort of the Robert Schalkenbach Foundation and the Center for the Study of Economics, CPTR works directly with municipalities, elected officials, local civic groups, and members of the public, to explore how their property taxes can be reimagined to reduce blight and sprawl, and enhance economic equity at the community level.

The "how" of CPTR's work is straightforward, yet the impacts are anything but ordinary. By using current property tax assessment data, Center staff explore the effects of shifting the portion of property owners' bills that come from the value of the land versus the portion levied against the value of improvements.. **(Cont. Page 7)**

DIRECTORS' PERSPECTIVES (CONT.)

PLATFORM CAPITALISM (CONT.)

A "link tax" or copyright fee would mandate licensing of links to news articles on social-media sites such as Facebook, but to do so would diminish news distribution. Governments could tax Skype and Zoom on the minutes of airtime used, but this also would be counterproductive to economic productivity. Likewise, taxing internet providers (IP) for internet access is retrograde. IPs already pay tax for brick and mortar, salaries, electricity, and bandwidth. The Internet Tax Freedom Act is on the right track.

The Internet Tax Freedom Act (ITFA) — passed in 1998 — imposed a moratorium preventing state and local governments from taxing internet access. In July, the Permanent Internet Tax Freedom Act (PITFA) was to be fully implemented nationwide, causing the last few grandfathered states allowed to tax internet service providers to lose an estimated $1 billion in combined annual revenue.C02 taxes reflect the externalized cost of pollution, land value taxes and resource royalties acknowledge that those who use the gifts of nature should compensate the community for the privilege.

Similarly, companies who extract windfall profits from the internet commons should compensate citizens as additional government services or as dividends (like The Alaska Permanent Fund).

Assessors, skilled at estimating the value of land and resources, could readily determine the cost of production of internet-based businesses. Once assessed, governments could decide if all or some percentage of the unearned wealth would be shared with the true owners of the commons, the citizenry.Rent capture would deliver a level playing field between large and smaller platforms by reducing the capacity for leveraged buyouts by the giants. Internet-based businesses are slippery, they can operate in remote markets without local infrastructure, so rent capture should be global, supported by all OEDC countries.

It is unjust that wealthy people and businesses are allowed to loot the internet commons without creating value. It is past time that global governments break internet monopolies and properly reward innovation, new market development, and wealth creation.

GREEN TAX (CONT.)

Economics concludes that of these three policies, the most efficient, hence most productive relative to cost, is the third one, penalties on emissions, which take the form of taxes. For the same result, a reduction of greenhouse gas emissions, the use of the price system is more efficient than imposing mandates and restrictions. Taxes that make polluters pay the social cost of the emissions enable firms and individuals to respond according to their individual costs and benefits.

Subsidies create a social-welfare loss, as the social cost of the taxes that pay for the subsidy is generally greater than the social benefit from the reduced price of the goods. At the subsidized price, the extra people who buy the good value it less than those who pay the full cost, and the taxes shift production from more valued to less valued goods. Another way to use the price system is with pollution permits that trade in a market. The system starts with some quantity of allowed pollution and a fixed number of permits. As firms expand production and thus increase pollution, they must buy additional permits, which increases the price. The gains in permit prices go to those who have the permits, while with pollution taxes, higher tax payments go to the government, enabling the state to reduce other taxes.

A complete green tax shift would eliminate the waste of resources that our current tax system imposes. Taxes on goods and wages impose a "deadweight loss" on the economy, a loss of benefits without any offsetting gains. The social cost of taxation is not the tax payments, since that is a transfer of resources. The social cost is unseen but actual: the reduction of output and consumption because of the tax, and the reduction of benefits due to paying more for the goods.

The deadweight loss of taxation depends on how much the quantity used gets reduced by a higher cost. The is no deadweight loss if the quantity is not reduced at all. Such is the case with land, as this does not reduce the amount of land. The land will not flee, shrink, or hide when taxed. A land-value tax is a mighty fortress against tax evasion, capital flight, and subsidies for the landed rich.

The opposition to a Green New Deal comes from those who fear that the economy will be destroyed by regulations and subsidies. This opposition will disappear when the advocates promote the use of the price system instead. We can point out that if there is no levy on pollution, then in effect, polluters are subsidized, not paying the full social cost of production. Surely free-marketeers are opposed to government subsidies! The economics of pollution taxes was pioneered by Arthur Cecil Pigou, and the policy of taxing bad things such as pollution is often called "Pigovian".

The policy of taxing land value was explained and popularized by Henry George. We could call the policy of taxing pollution the "Pigovian New Deal" and the policy of taxing land value the "Georgist New Deal." They are ultimately the same thing, because the Pigovian policy taxes using land (water, air, and soil) as a dump, while the Georgist policy avoids the polluting and cannibalizing of the economy with taxes on production and consumption. The Green New Deal needs the Green Tax Shift. Let us have a green-new-deal tax shift!

DIRECTORS' PERSPECTIVES (CONT.)

VACCINE, PROPERTY TAXES (CONT,)

CPTR's premise is simple: land is valuable because it gives its owners access to community-provided benefits (like public safety, schools, and roads), but improvements (like homes and other buildings) are the result of individual efforts and investments.

So...tax the land to reinvest that value in the community amenities that made it valuable to begin with, but untax buildings to encourage more of what you want to see, like new construction in the city center, historic preservation, and reuse of formerly blighted properties.

This approach goes by a few names, but "two rate tax" and "land value tax" are the most familiar. The concept and approach are already being used successfully in a number of places from Allentown, Pennsylvania, to Canberra, Australia, to Hong Kong.

Like the property tax itself, each application of a land value tax is different, which is why Center staff engage municipalities individually, through tailored efforts based on what's already on the ground, and with an eye towards realizing the unique future each sees for itself.

To explore what a land value tax would look like in a sampling of U.S. cities, check out CPTR's Tax Shift Explorer. To learn more about the Center's work in cities and towns nationwide, visit **www.centerforpropertytaxreform.org**

GUEST PERSPECTIVES

VIEWS ON OUR WORLD, THROUGH A GEORGIST LENS

MORE EDUCATION WILL NOT REDUCE POVERTY

BY:MIKE CURTIS

Henry George places 100 shipwrecked men on an island from which there is no escape. He draws attention to the fact that whether one of them has the weapons to make the other 99 his chattel slaves, or one of them has title to the island and the means to enforce it: it makes no difference to the one or the 99, they are his slaves. That is to say, because of the one's ownership of the island, the other 99 would have to work for a bare subsistence, just enough to keep them healthy enough to work at maximum efficiency, which is the wage of a slave. Now, let us suppose that the one does not believe in chattel slavery, but he does believe in private property in land. He was the first one ashore, and with his gun, he claimed the island before anyone else arrived.

Next, let us suppose that one of the 99 has exceptional talents and can build far superior dwellings. Another can grow significantly more and better crops. A third can make far better clothing in less time than any of the rest. Would not the one who owns the island, likely increase the rewards given to these three out of the 99. If he didn't, what would be their incentive to produce any more than the rest of the workers? Their wages would be so much higher than the others that they would hardly seem like slaves at all—especially wage slaves, since the owner of the island does not believe in chattel slavery, and considers all men to be free.

Now, as an impartial observer, it would be hard to resist the conclusion that skill and knowledge are the keys to freedom and prosperity. Those who have the superior skill and knowledge have prospered because of it. They are by no means working for the subsistence of slavery. They enjoy a level of comfort, leisure, and satisfaction that suggests no connection with the oppression and exploitation of slavery. With every increase in their skill, knowledge, and the resulting productivity, comes higher and higher wages.

It seems irresistible to conclude that wage slavery is the result of ignorance, the lack of knowledge and skill. Those with knowledge and skill live healthy and prosperous lives. Therefore, it is easy to think if everyone had a certain level of skill and knowledge, everyone would live a prosperous life with leisure and abundance. Increasing the general level of education must be the solution to Wage Slavery.

Let us imagine that over the next generation the population of the island doubles, and at the same time, inventions and innovations enable each worker to utilize 10 percent more of the island from which there is no escape. Now there is only room for 90 people out of the 100 to work the land at maximum efficiency. The 90 most skilled and educated will be working the land. The 10 least productive workers will be unemployed and living from the charity of the island's owner and maybe, to some degree, the most skilled and knowledgeable workers.
(Cont. Next Page)

GUEST PERSPECTIVES (CONT.)

POVERTY (CONT.)

With the general increase in skill and knowledge, invention and innovation, each worker might be producing twenty percent more goods or services than workers did a generation before. However, what is it that determines the wages of the least productive people who are actually working? Ten percent of the population is unemployed: so, in an effort to stay employed, the least productive people who are actually working, are perfectly willing to accept the same wage as before: food, clothing, and shelter.

It is only as an individual's potential exceeds that of the least productive people who are actually working, that any incentive is necessary to motivate a greater productivity. The superior workers are paid just enough of the larger amount they produce to ensure that the supply of workers with each kind and level of skill will meet the demands of their employer and yield the maximum possible efficiency.

Whether our economic analysis is confined to a hypothetical island, or we consider the United States as a whole, the principles hold true. As long as there is no free alternative upon which people can live and work, wages of the least productive (skilled and educated) people who are working, tend in the free market to a bare subsistence. Therefore, no increase in the general level of education can raise wages, no matter how much it increases production. At one time, those who could read and write got higher pay. Now, it is a requirement for employment in the lowest paid jobs.

Interventions like the Minimum Wage, raise wages, but they do not create jobs. On the hypothetical island, there was a shortage of land. In the U.S., no shortage of land has ever existed. Our arable land area per person is 1/5 that of Great Britain. In our cities and suburbs, the infrastructure has been built at enormous expense; it enables great concentrations of people to live and work with phenomenal efficiency. Yet, there are many undeveloped parcels and many times that number that are under-developed. There are also empty and partly empty buildings in a state of decline. The primary objective of landowners is the increase in the selling value of the land. Any income they may get helps to pay the taxes and add to the overall profit that comes from the increase in the selling value of the land. These unused and underused parcels could provide more than enough land to employ and house the entire unemployed and homeless populations of the United States right now.

In the simplest terms, what is needed is to put all valuable land to its potential for employment or housing. The most jobs and units of housing would be created in the cities and suburbs where the infrastructure and public service supports it. As all the most potentially productive land is put to its full use, large areas of the least potentially productive land will have no demand and no value at all.

PROPERTY TAX: THE LAST ONE STANDING

BY: JOSHUA VINCENT

As the first punches from Covid 19 landed on state and local government revenues in spring 2020, it was clear that the virus's impact, compounded by mandated shutdowns, blew big holes in budgets. Public health and the economy both slumped quickly, draining revenue for essential services. Tax holidays gave the illusion over the early summer that the nation could bounce back soon. Well, no.It all depended on perspective. Think tanks such as The Tax Foundation, which pulls in the direction of broader-based sales and use taxes, looked at the rosy April to June receipts, barely considering that panic buying had a lot to do with it (How much toilet paper do you have?). The American Enterprise Institute predicted a several years-long depression in income tax receipts (notwithstanding the reality that low-income workers have borne the brunt of unemployment). Brookings observed that while sales taxes were cratering (along with levies on hotels, air travel, and amusement), the property tax was still holding the fort, observed by dozens of local to national studies.

The Tax Foundation grudgingly acknowledged that the few states with a real property tax had maintained robust tax collections. In the narrow spectrum of center-left/-right perception, all would be well, but lousy, into 2022.

All have elided the stability of the property tax in this crisis.

GUEST PERSPECTIVES (CONT.)

PROPERTY TAX (CONT.)

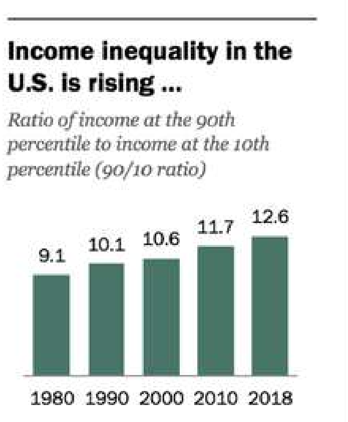
The few states that do have a real property tax are doing just fine, thank you. Municipalities with higher than average tax levies on wages and sales are suffering more than cities that kept property taxes front and center as revenue sources, like Boston. There are still narrow interests in the middle of all this evidence trying to roll back this crucial revenue source. But, self-regarding tax protesters of Pennsylvania haven't given up!

Should we eliminate the property tax? Not that again!

Recently, an active and conservative member of the Republican Party in central Pennsylvania sent us a copy of something called the "Property Tax Independence Act" (PTIA) with the portentous subtitle of "Liberty Equality and Prosperity." More accurately, the legislation, a proposal for a constitutional amendment in the state of Pennsylvania, is given the sentimental sobriquet of "House Bill 1776." As yet, this is not an actual bill, however. Long story short, the PTIA wants to eliminate the property tax and cut off schools (And cities).

Moves to eliminate the property tax have been frequent in recent decades. As a rule, actual elimination is rare. Some putative tax relief bills and constitutional amendments (such as Proposition 13) passed with disastrous results. Passionate defenders of Proposition 13 take on the tone of bitter-enders who see the writing on the wall as their gravy train goes off the tracks.

Yet, CPTR has always researched and helped implement programs that reduce taxation pressures on all society's strata from poor to prosperous. We also believe that a functioning market system, coupled with a stable and efficient revenue system, in the end, is the best option for the government. State and local government fiscal wonks quiver in their cubicles as federal aid dries up, never to return.



"So long as all the increased wealth which modern progress brings goes but to build up great fortunes, to increase luxury and make sharper the contrast between the House of Have and the House of Want, progress is not real and cannot be permanent."

Henry George, *Progress and Poverty* (1879)

Source: Pew Research Center, 2020
https://www.pewsocialtrends.org/2020/01/09/trends-in-income-and-wealth-inequality/

This message brought to you as a public service by Erickson & Associates, economic consultants to government, business and the legal profession, with offices in Bend, OR and Juneau, AK. More information at www.EricksonEconomics.com.

The Commonwealth of Pennsylvania is a relatively high-tax state. The nonpartisan Tax Foundation has consistently placed Pennsylvania around 15% of state and local tax burden from 2003 to 2016. However, blaming the property tax, while fashionable and certainly knee-jerk, does not withstand scrutiny. Again, using Tax Foundation figures, the Pennsylvania property tax share of state and local revenue is 29.9%. That places Pennsylvania in the middle of the pack at 22nd-highest, and significantly below the national median of 32.4%.

All property taxes are local.

That heading is accurate, and that's not necessarily good news. One unappreciated fact about property taxes is that it is a local tax and responds to the local environment. Citizens CAN have an impact, for good or ill. A Pennsylvania state legislator or County Commissioner from an area close to a state border like Maryland sees growth from inflow, with attendant increased government spending contrary to decades of tradition. We shouldn't be surprised when the newbies want goodies.

Most Pennsylvanians live in rural areas with one biggish town, usually serving as the county seat. It might surprise a citizen of Blair County, for example, that the property tax burden in that county comes in at 1,089 out of the nation's 1,823 counties. Yes, the property tax is a bargain in Blair, Elk, Cameron, and many other rural and aging counties in Pennsylvania. Eliminating the property tax will launch these affordable places into uncertainty with a statewide system that surely won't be one-size-fits-all.

Looking at every tax in use is key to understanding the relative lack of competitiveness that Pennsylvania has. The Pennsylvania income tax is flat and wage-based; it captures revenue from the poorest wage earner. State and local income taxes boost Pennsylvania's US standing to number 16 in the US. Pennsylvania suffers broadly higher than average business income taxes. A dog's breakfast of nuisance taxes generally increases the cost of doing business without bringing any significant revenue for necessary government expenditures.

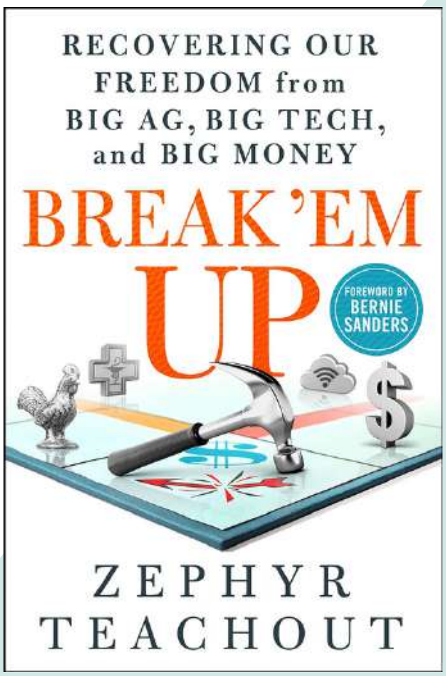
Part two of Property Tax: The Last One Standing delves further into PTIA and House Bill 1776 beyond the scope of Pennsylvania. To read part two, visit. **https://schalkenbach.org/property-tax-the-last-one-standing-part-2/**

Book Reviews

Break 'Em Up
by Zephyr Teachout

REVIEW BY: POLLY CLEVELAND

For over twelve years I backed up our three family computers to a cloud service called Mozy.com. Friendly interface, about $60 a year per computer. Then in February last year, Mozy vanished, replaced by something called Carbonite, at over double the price. Too busy to deal with it, I let it pass. But this May, Carbonite began sending urgent messages, "80% of capacity used. Add storage to avoid interruption." What? That would have cost a few hundred more dollars. On checking, I found I had been moved into their "Safe Pro" service for small business up to 20 computers, instead of their "Safe Home" at half the price with unlimited storage. After a month of tough emails and phone calls, Carbonite relented and downgraded me to "Safe Home."



Two takeaways: First, I realized that Carbonite probably switched me to "Pro" because they knew I could easily afford it. How? Because e-commerce knows everything about me. Well-heeled professionals live in fear of such sneaky rip-offs. Is Amazon showing me higher prices than it would to a shopper in Allentown? Is Uber adding a markup to my fare? How could I know? Second, I found that Carbonite is engaged in a "roll-up", in which a private-equity financed niche company seeks to buy up or force out all the competition in order to create a monopoly. Roll-ups in the pharmaceutical business have sent prices of vital generic drugs so high that diabetics are dying for lack of insulin.

My little dustup with Carbonite hardly compares to the way powerful US monopolies and oligopolies screw less fortunate people. That's the theme of Zephyr Teachout's chilling and infuriating new book, ***Break 'Em Up: Recovering Our Freedom from Big Ag, Big Tech, and Big Money***.

She begins with "chickenization." Three processors, Tyson, Pilgrim's Pride, and Perdue, have divvied up the American chicken market between them. Chicken farmers have no choice but to sell to the one who "owns" their geographical area. That processor dictates where they get their chicks, how they build their chicken houses, what feed and medications they give, and when they deliver their fattened birds. Farmers must blindly accept whatever prices the processors give them on delivery. They are banned, on pain of being cut off, from comparing prices and conditions with other chicken farmers. In short, chicken farmers lead the lives of medieval serfs, or worse, because at least the serfs could complain to each other about the lord!

Chickenization isn't just for chicken farmers. Grain farmers are serfs to Archer Daniels Midland (the buyers), Monsanto (supplier of seeds and fertilizer), and John Deere and Caterpillar (equipment). Chickenization isn't just for agriculture. It's long been the business model of Walmart, and more recently of Amazon. These behemoths constrain their suppliers, specifying details of products, limiting their distribution, changing prices at will, and punishing those who resist or complain by cutting them off. Uber chickenizes its drivers and deliverymen. McDonalds chickenizes its franchisees, even requiring them to make their employees sign "non-compete" agreements, so they can't switch to working for Burger King.

Monopoly damage extends beyond chickenization: it has destroyed journalism, especially local journalism. Twenty years ago, there were lots of local newspapers. Many operated on a shoe string, funded by local business ads, reporting police blotter of course, but also misdeeds by local officials and bigwigs. The local businesses are now mostly gone, rolled up by chains. Remaining advertising dollars now go to precision-targeted ads on Amazon or Google or Facebook. (When I looked up cotton T-shirts on llbean.com on my desktop, and then picked up my cell, up popped H&M T-shirts.)

Big corporate monopolists' roll-up of small businesses has also weakened a major source of support for Black activism: Black-owned businesses and Black business associations. It was indeed Black business persons who led and helped fund the desegregation efforts of the 1960s. Growing monopolization also explains the wage mystery that so long baffled most economists: Until forty years ago, wages and productivity rose together. Then, as productivity continued to rise, wages stagnated.

Worst of all, flush with monopoly profits, large corporate PACs increasingly control politics. Teachout

BOOK REVIEW (CONT.)

reports that when she ran for Congress in New York's 16th district in 2016, her real opponent wasn't Republican John Faso, who won. Rather, she was massively outspent by mystery PACs who even used a body double—a woman who looked and dressed like her—to misrepresent her agenda.

To defeat monopoly, we must **BREAK 'EM UP**, conceptually simple, but politically unattainable without a mass movement. During the New Deal, FDR successfully used old anti-trust laws like the 1890 Sherman Antitrust Act and the 1914 Clayton Antitrust Act and new laws like the 1932 Glass-Steagall Banking Act to break up monopolies and shrink the power of finance. But starting with the Reagan Administration in the 1980s, and continuing under Democratic administrations, enforcement slowly ground to a halt. Bill Clinton eagerly presided over the repeal of Glass-Steagall. We need new laws too, reforming campaign finance, raising taxes on the wealthy, and banning the secret information-gathering that sent me a plague of T-shirts.

In 2009, journalist Barry Lynn sounded a lonely alarm with *Cornered: The New Monopoly Capital.* Ten years later, Barry and the daughters and sons of Barry—Zephyr Teachout, Lina Khan, Matt Stoller, David Dayen, Gilad Edelman, Franklin Foer, Phillip Longman, Tim Wu and so many others—have captured the progressive wing of the Democratic Party, including Senators Elizabeth Warren and Bernie Sanders and the redoubtable Congresswoman Alexandria Ocasio-Cortez. If the senator from the Corporate State of Delaware triumphs in November, progressives will drag him to an aggressive new New Deal.

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