

Funding - Pandemic Needs

By Mike Curtis

Here we are in a pandemic. The epidemiologists say our best defense is personal distancing and all recreational and non-essential activities curtailed. That means trillions of dollars worth of goods and services are not being produced, and millions and millions of workers are unemployed. So, the unemployed workers don't have money to buy the necessities they need—primarily food, and shelter (mortgage payments or rent).

In order to prevent unemployed workers from going hungry and losing their shelter, The government has decided to give each worker enough money to keep them from losing everything—and to keep the American economy in tact. To prevent employers from losing their assets and the mutual support they enjoy, the government has decided to give or loan employers money. Perhaps the money will enable hospitals (for profit and non-profit) to function, even with the loss of patient payments.

If this can be done, then when the medical facilities, personnel, equipment, test kits, and protocols are functioning, people can go back to work in a modified manner, and the country can resume some degree of normalcy.

It is not that the government is planning to borrow the money by selling over two trillion dollars worth of bonds, or taxing those who have greater assets than they could reasonably need or enjoy, and redistribute wealth (via money) to those who are in need. The government is going to create the money by way of the Federal Reserve. While the exact mechanism by which the government will increase the supply of money has not been explained on the nightly news, it will ultimately result in an increase in the total amount of money in existence, and each U.S. dollar being less valuable than it would otherwise have been.

There has already been too much money created, as evidenced by the fact that it now takes \$26 to buy what one US dollar bought in 1913 when the Federal Reserve was established.

As new money is created and dispersed. Those who receive it are offering it in exchange for the same goods and services that everyone who already had money has been trying to buy. Therefore, each dollar buys less, and the total amount of money tends to have the same buying power as before. It takes time before prices go up, and that makes it easier to pass the legislation. That's what happened after 2008. Trillions of new dollars were created and prices increased by nearly 20% over the next 12 years.

At the moment, there are less things to buy, and that tends to increase the value of what is. There are a lot less people able to buy things, and that tends to lower the price of things. However, when the economy gets back to the level it was before, there will be plenty to buy, and plenty of people who are able to buy it. The difference will be that there will be between two and four trillion dollars more money in circulation trying to buy the same amount of goods and services that were for sale before.

Inflation is a tax on those who have money in cash or in the bank. It is also a cancellation of debts for those who have borrowed it in the past and are now obligated to pay it back; that is because money has lost value; It then represents less wealth than was borrowed.

Inflation would tax part of the \$2.6 trillion Social Security Trust Fund, and it would cancel part of the \$10 trillion home mortgage debt. The latter would be good for those who have just purchased a house, but it would increase the price of houses to be bought in the future by the same amount. All those who have invested for their retirement in the \$40 trillion bond market (twice the size of the stock market) would be robbed by the government and the corporations who issued the bonds.

Money is also a measure of value. If your employer agrees to pay you \$20 per hour for the next five years, but there is just 3% inflation each year, at the end of the five years, you are only earning enough to buy what \$17 would have bought when the agreement was made.

When a nation needs to disrupt its economy, and limit the freedoms and opportunities of people to make a living, it seems reasonable that the government should compensate those people who were restrained from producing by its restrictions, with a re-distribution of wealth. The question is how—what is the fair way to pay for it?

Governments can program a computer or a printing press to create money, but they can't wave a magic wand and have food, clothing, and shelter appear—at least not yet. Someone has to produce it before it is transferred to those who ultimately receive the wealth and services.

The only equitable way to pay for a naturally occurring crisis—pandemic, is to pay for it with socially created production. That is to say, wealth that cannot be attributed to individuals or corporations, but results from the conscious and subconscious cooperation of the community and society as a whole. The primary value that is socially created is the rental value of land (the offerings of nature). It stems from superior natural opportunities that are privately assigned, and increase the results of labor. As populations increase and concentrate, greater divisions of labor and automation become possible. These greater populations are enabled and economized by the infrastructure and public service, and all the greater productivity that results from the divisions of labor and automation are included in the rental value of land. It is, therefore, the natural source of funding for the re-distribution of wealth required by a pandemic disease.

By collecting the rental value of land throughout the United States, there would certainly be enough money collected each month to enable every family restricted from making a living, to acquire the food, clothing, shelter, and healthcare necessary, until the opportunities to make a living return.

As a first step, all leases could, by decree, be re-negotiable and put on a month to month basis. Then that portion of the rent that is paid for the value of privately owned land (in the case of owner-users, imputed), as re-calculated often by government assessors, could be taxed. All unused and underused land could be re-assessed as to its rental value based upon its potential to generate land-rent in real time. That is to say, right now, as opposed to sometime after the pandemic is past.

Clearly, many parcels of land are worth far less per month than they were before the Pandemic, and some are worth nothing, given the restrictions now in place. However, if a parcel of land has a rental value, it is because the land has the potential to yield an income right now under the present circumstances.

The rental value of land is what each owner should pay for the right to deny others the opportunity to use a natural offering, one that captures socially created wealth and services.

This proposal is much more complicated than simply collecting the rental value of land as would be advocated in normal times, but disasters disrupt the economy and require a special response. I have no expectation that this proposal will be seriously considered, but it would certainly work, and it would be a lot less complicated than the current system of taxing income with its myriad of deductions, depreciations, and credits. And it shows that even in a pandemic crisis we could collect socially created wealth for social purpose—while discouraging the idle and grossly underused land that causes unemployment, low wages, and a shortage of housing.