

## Thanksgiving Day: for both Plenty and Logic

*by Jeff Smith*

As Americans give thanks for the bounty from nature this autumn, we might also want to take note of other gifts from nature to be thankful for. Nature gives us much more than just our food, water, and oxygen. We also rely on the natural processes – such as the weather – that sustain and cleanse the soil, the water table, and the atmosphere. ‘When we damage nature — not intentionally but when we pollute the environment and deplete its resources — we do so at our peril. Our civilization, perhaps even our species, would not survive long without a healthy ecosystem.

Along with nature’s capacity to renew our world, let’s also appreciate the natural advantages of certain locations. We enjoy good views, fertile soils, deep harbors, and rich mineral deposits. These benefits are due not to the efforts of any human being but to natural processes.

Actually, we already do show gratitude for these advantageous locations when we pay for them. However, we don’t pay nature for them. (What would Mother Nature do with the money?) Instead, we pay certain humans, the ones we call owners or lenders. Hence, along with feeling grateful for these natural benefits, those fortunate humans should also feel thankful for being the ones to receive the payment for locations.

When humans pay for something, that is how they exchange energy – one person swaps their labor or the product of their work with another person. Trading energy and saving energy are two main processes of all life. For example, you’re inhaling oxygen from trees and exhaling carbon dioxide for trees to breathe. You save money, while living bodies store fat and plants store sugar. Step back far enough and you’ll see that human economies are not apart from the natural world but part of the ecosystem.

The feedback loops that operate to keep balance in nature also operate to keep balance in economies. For example, the wilds have the prey/predator cycle: more deer, more wolves; more wolves, less deer; around and around forever (or until humans kill off the wolves). Markets have the Law of Supply & Demand: more demand, higher price; higher price, less demand; less demand, lower price; around and around forever — or it would, except we interfere in markets with our misguided laws and customs.

Why are economies out of balance? Because we don't let these natural feedback loops operate in our economies. We hinder our laws that levy taxes and bestow subsidies and our customs that reward speculation in land. Taxes raise the prices of goods while subsidies lower the prices of bads. And prices are to production what genes are to reproduction — packets of information that guide our behavior.

Which leads to another natural phenomenon to be thankful for. Along with physical nature, we humans might also want to appreciate natural law. That is, not only is there enough stuff for us to live on, there is also a way — a natural law to follow — for us to arrange our laws and customs so that our economies will work right for everybody. What law are we violating? Essentially it is that of “reap as you sow.” Human societies sow locations with value, but private owners and corporations reap the rent that results.

What are the three most valuable things in real estate? Location, location, location. What are the main influences on location value? Infrastructure. Proximity to downtown or a good school or a park. Population density. Low crime rate. High ambient income. These features are created by the society that surrounds a piece of land — but they get collected by those who sell locations or finance mortgages.

Most societies fail to recover the value of their investment. The Nobel Prize was given twice to economists, Joseph Stiglitz and William Vickrey, who noted a striking fact: that there has never been a desired public works project that did not pay for itself via pushing up the nearby ground rents. The problem is the public rarely bothers to recover those rents in order to pay the cost of the public project. This insight — how infrastructure and other good works could be self-financing — goes by the name of the “Henry George Theorem.” It's named after the 19th century author of the bestselling *Progress and Poverty*. George explained that society — via its agent, government — could recover land rents with a tax on locational value — and get rid of all other taxes.

Along with taxing smartly, government could also eliminate such expenditures as corporate welfare and aggressive warfare. There would then be a surplus of public revenue, making it feasible to pay citizens a dividend. But also, there'd be no taxes or subsidies to distort prices, so people could buy and sell things at prices that reflect any costs imposed upon society, and the environment would catch a break.

The fact that a solution to our economic and ecologic problems exists means we should be thankful for our brains being able to work out such solutions. However, the fact remains that most human brains do not seek big solutions; rather they accept the world as is. That's nothing to be thankful for but it's not a dead end. It means that now

we have to use our brains to persuade our fellow humans to adopt what works. Once we do that, we will be able to celebrate the greatest thanksgiving feast ever.