ENDING HOMELESSNESS:
from scary costs to welcome surpluses

By Jeffery J. Smith

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Summary: The cost of unaffordable housing is primarily the value of the underlying land. Typically, high land costs are seen as a daunting problem, while they could be a golden opportunity. As some jurisdictions have shown, socially generated site value can be recovered by society and used to pay residents a dividend—as does Singapore—or construct public housing—as does Aspen Colorado in America. Those and other examples are encouraging and the economics unassailable. Yet the hidden nature of ground rent and the politics of speculators apparently hold back this fundamental solution. Eventually, greater awareness may wear down privileged resistance.

To deal with homelessness, some homeless themselves might advocate fundamental transformation. I've not read media coverage of that. Yet big problems do require big solutions.

Can government spend its way out, or build homes fast enough? Washington and Oregon follow only California in US homelessness growth. And land acquisition comes at a steep price.

Rising "housing costs"—actually, rising *land values*—hurt bad enough now. Once the rise reaches its apex, and prices collapse, then recession follows. The unfortunate will be worse off. No government is ready for that. To prepare, they could do what worked before.

Recover "Rents"

To address its shortage of affordable housing, Aspen Colorado used an esoteric tax to fund public housing. Locations had become so pricey—a vacant lot could go for over $10 million—housing became out of reach of teachers and policemen. So the City put on the ballot a tax on property *sales*. It passed by a wide margin. The wealthy could not afford to lose their favorite waiters. The tax brought in funds for constructing livable public housing that even doctors making six figures qualified for.

The reform worked so well, other towns started to copy it. At that, speculators drew the line. They had the legislature outlaw the property sales tax for the rest of Colorado.

The typical property tax could morph into something beneficial. If you want housing, why tax it? Being two taxes in one—on both land and buildings—some jurisdictions lowered the half on human-made improvements while raising the rate on nature-made locations.

Underused sites are dead zones, hence prevalent in slums. Levying land stimulates owners to improve their lots to earn the funds to pay the tax. The levy has always worked wonders.

Back in the 80s, US President Reagan emptied mental institutions, filling the streets with homeless. Pittsburgh had a shelter but soon closed it, not due to cost or meanness but to lack of users. In Pittsburgh, housing was so affordable—making the Steel Town "America's Finest" twice—people stayed homed. However, the reprieve proved temporary. Eventually speculators overturned Pittsburgh's property tax shift.

Three more examples:
* New York in the 1920s stimulated the construction of housing.

* New Zealand in the 1960s and '70s kept employment at 99%. Not just construction jobs; when those workers spent their pay, that flow generated more opportunity for others, too.
* Australian towns in the early 1980s not only resisted a recession but actually increased production.

These gains are from partial recovery of the annual value of land. IMF economists note total recovery would magnify the benefits.

Share "Rents"

Insufficient supply is only half the analysis, overlooking excessive demand. Fleeing exorbitant land ("housing")—Californians invade Oregon, Oregonians invade Idaho, Idahoans too ripple outward, swelling demand where they land. People see the resultant higher prices as a catastrophe when they should be thanking their lucky stars.

Get clear on what's yours, what's mine, and what's ours. Nobody made land; no lone owner created the views and oil fields. Not needing anyone's labor or capital to exist means land's value is a surplus. The presence of society gives locations their value—see dense Manhattan. Being generated by the populace means land rent belongs to society.

Presently, landowners via sales and leases and lenders via mortgages pocket this social surplus. More justly, owners owe this annual value to their neighbors. Society could recover its own using taxes, fees, dues, leases, whatever.

Then society could abolish taxes that shrink their own base—income, sales, and buildings—reserving taxation for things like pollution, depletion, vice (alcohol, tobacco, etc). Places with low counterproductive taxes have high location values—like Singapore—and thus more public revenue. Singapore even pays citizens a dividend.

Like Singapore, or Alaska's oil dividend, government would disburse rent-revenue society wide. Your share could even exceed your wages. Wages are about a quarter of a region's GDP, as is the annual value of surface land. The rental value of privilege—corporate charters, utility franchises, patents, etc—and interest (ROI to savers and businesses) comprise the other two quarters of income flow. Combined, rents total the greater half of GDP.

Enjoy "Rents"

As having to pay land dues triggers owners to build, receiving rent shares enables residents to buy. Plus, efficient land use requires more labor, raising wages. Since rising location value fattens rent dividends, residents could afford to live where they love forever. No longer would we accommodate poverty—as with many housing proposals—rather we would eradicate poverty. No longer would we decry high *land* values but welcome them.

We take for granted that future occupants have no say in the design of their dwelling. Few people have the wherewithal to hire an architect or a lobbyist. Given how important home is, does the lack of input make people feel powerless, more like sheeple?

Presently, government subsidizes development, picking up most of the cost of new streets, water, sewage, power, police, schools, etc, and gets precious little for its investment. What if government set fees for permits based in part on how much input from future residents that developers accepted? In a focus group, wouldn't you like to express your preferences?

Residents could vote with their wallet on what sort of habitat to live in when receiving a dividend. If builders oriented homes toward the sun regardless where the street is, billions of BTUs would be saved. What about onsite water recycling? And sound insulation.

Unlike jobs that advocates of jobs would never stoop to perform, the rent share liberates people to contribute as they choose: Start a business. Volunteer where help is needed. Create unique art, music, drama. Draw closer to friends, family, community, nature. Enjoy leisure. The psychology that engenders addiction and dropping out would fade.

Forget Non-Rents

Everybody has a right to life and needs land to live. Lacking land is why longevity is abbreviated among the landless in agrarian societies and the homeless in industrial societies. Once we insist upon our right to a share of land and of her value, we can quit hollering about any right to housing. One being unable to afford a home does not mean that others who worked hard to house themselves must pay to house strangers. What's owed are the region's rents to the region's residents.

When we share our natural commonwealth, we can quit blaming …

Private property— Most of us need to occupy somewhere in privacy. And occupying owners become participatory citizens. The real culprit is absentee ownership, anyway.

Markets— Consenting adults exchange goods and services, ideally on a level playing field. Our buying and selling of phones, cars, and fashions is the most powerful engine of social change (savor the irony). The real culprit is lobbying success—insiders winning favors from complicit politicians.

Capitalism— That partnership of elite and state is actually "rentierism". It could not survive public recovery of rents.

Critiquing capitalism, markets, and property dilutes the call for sharing rents and unnecessarily animates opposition.

Obviating housing subsidies, we could de-legitimize subsidizing in general, such as gifting corporate welfare to weaponeers and other insiders.

Win "Rents"

More spending necessitates more taxing and borrowing. The pendulum does swing. How long will voters keep paying, before turning red, as flyovers already are?

A dividend is not a budget item in the expense column; it's social income. You don't have to expropriate money to pay it, just recover social surplus to share it. Furthermore, tax departments can cut costs, no longer having to assess the value of improvements.

Likely the only thing that'd make land dues palatable to voters is getting a dividend, which let the carbon tax pass in British Columbia.

Better recover rents ASAP. According to those who track the land price cycle—they forecast the last downturn precisely—the next recession begins in a couple years.

Once sufficient political capital is gained, don't waste it. As Lincoln said, nothing's fixed until it's fixed right. As long as half an economy's GDP flows into the wrong pockets, expect wrong results. Direct that half into everyone's pockets and put everyone happily into a home.

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By Jeffery J. Smith
5805 SE 41st Av
Portland OR 97202 USA
503/568-5889
[jjs] [at] [geonomics] [dot] [org]

Editor of The Geonomist, Jeffery J. Smith had a lengthy article in the *American Journal of Economics and Sociology,* a monograph published by the *American Planners Association,* a letter in *The New York Times,* authored reports to the Kenya Land Commission, ghost-written letters for Oregon representatives, had a bill introduced in the Oregon legislature to shift the property tax from buildings to land, testified before the Russian Duma, and has recruited economists from Columbia, the OMB, and a presidential commission to his nonprofit, the Forum on Geonomics. Utilizing his neologism "geonomics" have been the Geonomics Show on CNBC and the Geonomics Institute on Middlebury College campus (by it both mean "global economics"). A member of Mensa, he resides in the American Pacific Northwest and can be reached at jjs@geonomics.org.