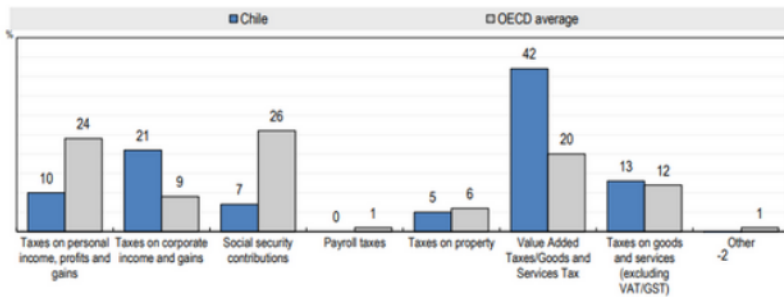


GUEST PERSPECTIVES (CONT.)

CHILE (CONT.)

As a country, Chile relies heavily on VAT, levied at 19% of MOST products and services. It makes up 42% of all tax revenue compared to the average 20% of the OECD.



Property taxes exist, but they are minor and mix land and buildings. There is no property tax to be paid up to a certain amount, and from there up there's a 1.2% tax on residential property up to another threshold and then a 1.4% tax. Rural land gets taxed 1% and isn't charged up to a certain amount. Agricultural improvements are subtracted from the assessment.

Chile has a large homeownership rate, although it has been steadily declining from almost 70% in 2002 to around 53% in 2017. Most renters are younger people, so homeowners are mostly "boomers" who are also poor or lower-middle class. This means that many property owners do not pay property tax, because the value of their property is inside the exempt tranche. Most people also don't pay any income tax, because wages are very low. This presents another difficulty for Georgist ideas: For most people it would mean a new tax they didn't pay before, and reductions in income tax would not matter to them because they do not pay any.

The only tax they pay is VAT, but that is an "invisible tax" so the idea could be hard to sell. The existence of property tax allows for some Georgist shifts - from levying it on the whole property to levying it only on the land value.

Most organizations that deal with the "Land Question" in Chile are grassroots groups that consist of home debtors and people who live in slums in irregular occupied terrain. These groups, such as UKAMAU or ANDHA have been successful in raising awareness and public attention. But the absence of Georgist thought in Chile, and the indifference of mainstream liberalism towards it, have caused them to be appropriated by hardline leftist ideologies, and many proposed solutions call for expropriation or price controls. There are other organizations, urbanist ONGs, that also deal with the housing crisis and land use, but none that proclaims the "georgist solution". Other groups, worried about development destroying traditional neighborhoods in high-value grounds in the cities, have taken an anti-development perspective. These groups oppose densification and often call for rent control as a solution for the housing crisis, and it is these groups that have caught the attention of the few congressmen and women who have taken an interest on the issue.

I believe, if we band together, we can make a Georgist shift in Chilean policies. The referendum to the Constitution is a start.

MAKING MACROECONOMICS EASY TO UNDERSTAND, AS A TRUE SCIENCE

BY: DAVID HAROLD CHESTER

How many different KINDS of financial (business) transactions occur within society? Actually, only a limited number of them are possible. Consider the averages of the various kinds of activities (no matter who performs them), and idealize these to fall into those commonly shared and expressed in general terms of various transactions. Here, these activities pass between a pair of agents—each with individual properties. To cover the whole national social system, only 19 kinds of exchanges are needed of the goods, services, access rights, taxes, valuable legal documents for savings, investment, etc., versus the opposing flows of money. These flows need to pass between only six different representative agents.

I prepared the analysis that led to this initially-unexpected result in my working paper "Einstein's Criterion Applied to Logical Macroeconomics Modeling". In this model, these double flows of money versus goods, etc., are shown to pass between the role-playing agents. If one tries to eliminate all

unnecessary complications but retains the more basic activities, then these particular quantities and flows provide a concise result--presentable in a comprehensive and seamless manner, suitable for analysis of the whole system.

Past representation of our sociological system by this type of an interpretation model has neither been derived nor presented before. Other partial versions have been modeled (using 4 agents, by Professor Hudson), but they are inexact due to their being over-simplified. Alternatively, in the case of econometrics, the models are far too complicated and impossible for students to follow. Either over-simplification or over-complexity are why non-scientific confusion was created by past economists and explains their failure to obtain a good understanding of how the whole system works.

The model described in this paper is unique, being the first to include, with some additional aspects, all 3 factors of
(Cont.Next Page)

GUEST PERSPECTIVES (CONT.)

MACROECONOMICS (CONT.)

production, in Adam Smith's "Wealth of Nations" book of 1776. These factors are Land, Labor and Capital, with their returns of Ground-Rent, Wages and Interest/Dividends. All of them are included in the model, as a diagram in "A Mechanical Model for Teaching Macroeconomics"). With this model in its different forms, the aspects of the Big Picture of our society's system can be identified and defined. By analysis, how our system works can then be properly seen, calculated and illustrated.

This analysis was devised by Nobel Laureate Wellesley W. Leontief, when he invented the important "Input-Output" matrix methodology (that he originally applied to the production sector). This short-hand method of modeling the whole sociological system replaces the block-and-flow diagram, enabling one to better appreciate what is going-on there. It is the topology of the matrix which actually provides the key to this. The logic and math are not hard and is suitable for high-school students, who have been shown the basic properties of square matrices.

With this technique it is comparatively easy to introduce a change to a preset sociological system that is theoretically in equilibrium (even though we know that this ideal is never actually attained--it being a convenient way to begin the study). This change creates an imbalance and we need to regain equilibrium again. Sudden changes or policy decisions may be simulated and the effects of them determined, which will point the way to what policy is best. In "Consequential Macroeconomics--Rationalizing About How Our Social System Works". three changes associated with taxation are investigated in hand-worked numerical examples.

Developments of these ideas about making our subject more truly scientific (thereby avoiding the past pseudo-science being taught at universities), can be found in "Consequential Macroeconomics--Rationalizing About How Our Social System Works".

Point - CounterPoint

UBI SELF-DEFEATING UNLESS FUNDED BY RENTAL VALUE CAPTURE – POINT

BY: FRANK DE JONG

A universal basic income (UBI) is an idea whose time has definitely come, especially considering the devastating COVID-19 related business and job disruptions.

As well as covering basic costs for the duration of the pandemic, a UBI can and will help businesses retool, restructure and backstop startups. It will provide bridge funding for artists, the gig employees and students. It will allow people to move away from uninspiring, unhealthy or unethical work, and will support part-time and traditionally unpaid work such as care-giving, parenthood, and community work.

A UBI, if implemented properly, can reduce, replace or supplement employer and government costs related to pensions, disabilities, job loss insurance, healthcare costs, seniors and child benefits, and a myriad of other social programs.

But, basic income programs will be self-defeating if financed by raised taxes on jobs, businesses and sales. In the short term, UBIs will appear successful, but over the longer term the monthly benefit will be absorbed into the rising cost of living, their purchasing power neutralized:

- Rents will rise to what the market will bear, forcing tenants to use the monthly benefit to help cover the costs of accommodation

- Home prices will rise to what the market will bear, the UBI will be used to carry higher mortgages
- Job seekers will bid down wages since the UBI will help keep them out of poverty
- The added taxes levied to pay for the UBI will damage the economy by eliminating marginal jobs and forcing marginal businesses closer to bankruptcy
- The UBI benefits will flow through the poor to those who own land, resources and internet monopolies, exacerbating the rich-poor gap

A UBI funded out of taxes is comparable to the wealth created by technological advances over the last century. After the 1960s, this wealth was no longer shared equitably. In 1970, a single breadwinner could support a family, but by the 1990s it took two working people to comfortably do so, and it took two working people to comfortably do so, and now two mid-level paychecks are hard pressed to buy a house or pay rent in many cities. **(Cont. Next Page)**