

# GUEST PERSPECTIVES (CONT.)

## THE UNIVERSAL BASIC INCOME

At a time when the assets of the richest one percent of Americans are alleged to be greater than the combined assets of the poorest 80 percent of the population, capitalism and the free market are failing to distribute fairly the results of material progress. The distribution of wealth is allocating to a small minority of the people the largest portion of what morally belongs to workers, as just wages, and to the entire community including workers, what was created by the synergistic cooperation of the community as a whole.

At a time when the federal, state, and local governments are spending a combined total of nearly a trillion dollars each year on welfare, a payment of money from the government to all people is being considered by some as economical.

Call it Universal Basic Income; Basic Income Guarantee; or Citizen's Dividend. This would eliminate the expense of evaluating need and monitoring the recipients. As everyone would receive it equally, it would not be a subsidy to the poor. Under the present tax system of "Ability to Pay" some portion of the money paid equally to everyone would go back to the government in the graduated income and sales taxes on non-necessities, and would be considered a rough approximation of socially created wealth, in a way similar to the funds now collected for public education.

Whether the dividend is being supported as a way to re-distribute socially created wealth in general, or a more efficient method of providing for the poor, it is gaining support among liberal voters.

The majority of people whose lives would be greatly enhanced by the cash payment, spend almost all their income on food, clothing, and shelter. Food is not cheap, but more than half of US agricultural land is used to grow export crops, so the price of food is largely affected by the supply and demand of the world markets. Clothing is largely imported, but it is the smallest portion of impoverished people's expenditures. Rent for housing is the biggest expense.

Supply and demand sets the rent people pay for housing. It's the free market. No one wants to be homeless, so those at the bottom pay whatever they can, if they can, and some do not get shelter at all. That's because there isn't enough housing being offered in the market for all who need it.

If the government provided a minimum standard housing unit at a fixed price (perhaps what the buildings cost to build, manage, and maintain) for all people who wanted one, then privately owned housing in the free market could only charge more for larger, better quality buildings, or superior locations. 1.3 million units of public housing out of 140 million total housing units likely had some small effect.

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However, in order to understand the ultimate effects of a Universal Basic Income under the present circumstances, let's look at the natural laws of distribution. It may not be obvious how they apply to housing rents and the effects of a Universal Basic Income, but they do.

There are three factors of production. Labor; Land; Capital and there are three avenues of distribution.

- Labor receives in wages what their labor could have produced if it had been engaged on the best natural opportunity (land) that is freely available.
- Those who own products that are used to produce more products for exchange, Capital, receive as a share of the final product, not the larger amount resulting from the use of their products, but only what is necessary to induce the storing up of those products as capital.
- Those who have monopolized the superior opportunities: land, receive as rent that portion of any product in excess of what would have been produced by labor and capital on the best land that is free. Everything, in addition to what goes to labor and capital, goes to landowners as rent. There are taxes, theft, and other diversions like the legal Minimum Wage, which affect production and distribution, but in their absence the natural laws of distribution hold sway.

When there is no longer any free land that will offer an opportunity to produce subsistence (food, clothing, and shelter), then wages everywhere fall to a point below which productivity would fall more than wages were lowered. The least skilled and knowledgeable workers would get weak; those with greater skill and knowledge would lose the incentive to acquire the skill and knowledge. Both of these would reduce productivity more than wages were lowered. The end result would be that the rental income of land would fall as well.

If the return to capital: interest was lowered below what is necessary to induce the storing up of capital, then productivity would fall more than interest was lowered, and the rents of land would fall as well.

How does this apply to the cost of housing? As long as there is free land where all people can go and produce their own food, clothing, and shelter (pay to have it built), the cost of a house everywhere else will be no more than it costs to produce one on the best land that is free. Only as the benefits of living in a house at a superior location exceed those on the free land, will anyone pay more.

When there is no free land that will support even a bare subsistence, the cost of housing will result from supply and demand. When the number of units being offered in the market is less than the number of people seeking a place to live, some people will be homeless, and many will pay all they can not to be homeless.

# GUEST PERSPECTIVES (CONT.)

## THE UNIVERSAL BASIC INCOME (CONT.)

Without a free land alternative, anything that reduces the cost of construction, increases the value of the land on which housing is built. This is the process that has been going on since the beginning of the industrial revolution, and became evident in the United States at the end of the 19th century when the American frontier was exhausted. It can be seen today, as things like heating systems become more efficient, rents and the price of housing capture the benefit.

As long as land remains private property, even a redistribution of wealth would not last. In time the landlords would again receive all that was produced, save just enough to keep labor and capital producing efficiently.

But proponents are proposing to fund it with a land value tax, a source of revenue that collects socially-created wealth in proportion to the value of the benefits received by the taxpayer. That makes all the difference in the world.

Only if the value of land is taxed to the extent that it creates a free land opportunity, can it raise the general rate of wages, reduce the cost of housing, and prevent an equal payment from the government to all, from going to the landlords in higher rents.

It will enhance the lives of those who own the land on which they live, even if they only have a fixed rate mortgage and no equity. In trying to create a just and prosperous society, the emphasis must be on the people at the bottom. A subsidy to the landowners does nothing for the people at the bottom. Unemployment, exploitation, and oppression is dragging the United States down the road to becoming an impoverished country. As in all impoverished countries, the root cause of poverty is the degree to which land is private property.

The majority of Americans live in and near our cities, where enormous investments in infrastructure and public service have enabled large dense populations to live and work with great efficiency on very small areas of land—where even small portions of idle and underused land account for large numbers of unemployed and housing shortage.

But, as Henry George explained in 1879, we could tax the full rental value of all privately held land and eliminate all other taxes. By collecting the full rental value of land, it would no longer be profitable to hold it unused or grossly underused for its increase in value. Labor and capital would migrate to the previously unused land in the cities and suburbs, putting it to its highest and best use.

As people migrate from the least productive toward the most productive land, much of the less valuable land now in use would be abandoned. It would have no value. Here, the best of this land with no value would be available to everyone as a free-land alternative. It would recreate the homestead opportunity of the 19th century, and anyone who wanted to

hire a worker on superior land, would have to offer them a wage that would give them a better quality of life than they could enjoy as a homesteader where the land was free. Landholders would have to compete for labor and capital, and pay more than the workers could enjoy on the free land where everything they produced would be theirs.

The total productivity of the country would increase because much of the labor and capital of the country would be working on superior land that was previously unused or underused. The increase in density would enable greater divisions of labor, reduce the distance in travel and transportation, and bring some of the infrastructure closer to the point of diminishing returns.

Wages and interest would increase and be equal to what people could have produced by availing themselves of the natural opportunities that are equally available to everyone. Productivity would so increase on the most potentially productive land within cities and suburbs that its rental value would provide far more than enough to provide for the infrastructure, public service, and the traditional expenditures of government. It would provide additional funds that could be used to fund Social Security, National Healthcare, medical and environmental research, and even a cash payment.

Now, contrast that with a Universal Basic Income funded by a land value tax. One goes to the root of our economic problems and transforms society from a modern day feudal system to an egalitarian nation in which everyone has an equal opportunity to work and keep what they could have produced by utilizing the natural opportunities that are equally available to everyone; where all socially created wealth is allocated to the common good. Where the sick, the aged: those who are unable to take care of themselves, are provided for.

The other offers payments to all people—funded by a land value tax. The greater the tax, the more jobs and housing it stimulates, and the more revenue it provides for the payments. But, it does not, by design, collect all socially created wealth; it does not necessarily create a free land opportunity that raises wages and the return on savings; it does not eliminate the confiscatory taxes that enable land speculation, which causes unemployment, lowers wages, and creates a shortage of housing. The choice is clear.

*“Where the conditions to which material progress everywhere tends are most fully realized – that is to say, where population is densest, wealth greatest, and the machinery of production and exchange most highly developed – we find the deepest poverty, the sharpest struggle for existence, and the most of enforced idleness.”*

Henry George