

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)**

Point - Counterpoint (Cont.)

POINT (CONT)

There are many factors in the mix: new technology, international division of labour, better education, inflation..., but the bottom line is that jobs pay what the market will bear.

For example, the minimum people will work for, and rental and owned accommodation always costs what the market will bear. Unemployed people will always bid down wages and desperate people will always pay whatever they must for housing. This downward spiral of maldistribution can only be broken if the UBI is financed by economic rent capture.

Economic rent is revenue from the rental of the commons, it is unearned wealth that capitalizes into the upfront price of land, resources and internet platforms, which presently benefits only the monopoly owners of these gifts of nature. Everyone has a right to their share of these dividends, which makes it a perfect way to finance a basic income.

The main problem is the asset liquidity traps. The societal surplus (unearned income, economic rent) doesn't go to the productive economy: the working poor, small business or unionized labour. It goes to the speculative economy, to those who command land, resource and internet monopolies.

Economic rent capture benefits the economy by removing the incentive to speculate, leaving capital no alternative but to invest in the job-rich productive economy:

- Employers will compete for employees, bidding up salaries
- Investors will shift to value-added production and away from speculation
- Land value taxes cannot be passed on to tenants, landlords will lower rents to compete for tenants
- Upfront home prices will drop since mortgages will not be needed for land portion of properties
- Rent-funded UBI benefits will stay with recipients, no longer migrate to asset monopolists.

The only way to permanently eliminate poverty is to break the monopoly owners' grip on the unearned increment, shift the tax burden off the productive economy and onto the speculative economy and distribute the rental value of the commons to all equally as a citizens' dividend or UBI.

EVEN AN IMPERFECT UBI NOT NECESSARILY "SELF-DEFEATING" - COUNTERPOINT

I broadly agree with Frank de Jong regarding UBIs (UBI self-defeating unless funded by rental value capture): to do universal basic income without a land value tax is foolish, and fundamentally unsustainable. However, I disagree with the characterization of "self-defeating", for reasons of both a technical and political nature:

1. Even a badly-funded UBI will still do a lot of good, for a decent while

Georgists recognize landowners as "The Robber That Takes All That Is Left": as the most stolid factor of production, land has the power to demand the surplus of any other factor. It's important to remember that this is not general and absolute, but rather true only in the long-term and in aggregate.

In a theoretical world, given enough time, every landless worker is brought down to the level of subsistence and no more. In the real world, such complete catastrophe is avoided: the landless still retains a few meager options (the exurban frontier beckons), and landlords lack perfect information. (Not being privy to each individual renter's income and consumption habits) In the absence of the information that could make them pure price-setters and not being in perfect collusion with every other housing supplier, the landlord manages to let each renter escape with some extra cash.

The population is not made up of identical "marginal workers," and it's right to believe that the UBI, even if funded in unfortunate ways (such as Andrew Yang's focus on consumption taxes) will smooth out several unfortunate disparities:

BY: MARK MOLLINEAUX

- It would constitute a cash-transfer from the higher-income to the lower-income
- From workers to non-workers (a group largely containing those who should not be working, such as the elderly, the disabled, students, caregivers, and others who may be neglected in the current threadbare safety net)
- From people with higher consumption habits to those with lower consumption habits
- From the lucky and fortunate to the unlucky

This is another way of noting the broader truth of ATCOR (all taxes come from rent), not in its strong (ground rent) form, but rather its weaker (economic rent) form, which is tautologically true; if taxes are not paid out of a surplus above which it takes to drive a factor into production, these taxes cannot exist at all.

The harm? Taxes will also create deadweight loss (as described in Mr. de Jong's argument). On the margin, production will be curbed, the actual buying power of workers will shrink. It's worth remembering that producer surplus for workers is technically a form of rent, but the good kind: what's the point of society unless we want people to have slightly more than the bare minimum?

Even though some miseries creep in, there are limits, and the likely outcome in the absence of something
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