Edward J. Dodson

A REMINDER OF THE TASK BEFORE US

Much of the wealth accumulated by individuals is unearned, *derived* from what economists describe as "rent-seeking" privileges under law. The methods by which public revenue is raised in most countries is the main source of such privileges. Take so-called "capital gains" for example. Actual capital goods (e.g., buildings, machinery, technologies) depreciate in value and functional utility over time. What increases in value are natural assets (e.g., locations in our towns and cities, land blessed by natural resources, frequencies on the broadcast spectrum, and even take-off and landing slots at airports). What natural assets have in common is a zero cost of production in terms of labor and capital goods, and an inelastic supply. We cannot produce more natural assets. All we can do is apply our labor and capital goods to *produce* new forms of assets, assets that are then subject to depreciation or almost immediate consumption.

A public revenue system that rewards production rather than hoarding or speculation would impose a zero rate of taxation on the goods we produce and an annual charge on the exclusive control of natural assets equal to the potential annual rental value thereof (i.e. the *economic rent*).

What I describe here is not a new proposal. It was put forward in the mid-18th century by the French political economists Francois Quesnay and Anne Robert Jacques Turgot, among others of the Physiocratic school. Adam Smith embraced their analysis in his chapters of *The Wealth of Nations* dealing with economic rent. Another Scot, Patrick Edward Dove, picked up the idea in the 19th century, and he was followed by Henry George in the 1870s, igniting a global movement in support of eliminating all taxation except for that on the rental value of land. A long list of other thoughtful analysts and economists have continued to argue the merits of this systemic reform. Leo Tolstoy tried to convince the Russian Czar of its merit to quiet the rumblings for revolution. Sun Yat-Sen brought the scheme to China during its nationalist period, and a watered-down approach was eventually introduced by Chiang Kai-Shek in Taiwan.

Among the economists of the early 20th century in the United States whose writings embraced Henry George's analysis were Scott Nearing (U of Pennsylvania), John R. Commons (U. of Wisconsin) and Harry Gunnison Brown (U. of Missouri). They were joined later by Glenn Hoover (Mills College) and Mason Gaffney (U. of California). Some economists in the United States supported gradual implementation by restructuring local property taxes into a two-rate tax that gradually increased the rate of taxation on assessed land values while reducing the rate on assessed building values. C. Lowell Harriss (Columbia), Dick Netzer (NYU), Kris Feder (Bard College) and Nicolaus Tideman (Virginia Tech) have written extensively on this approach.

Various degrees of support can be found in the writings of Michael Hudson (U. of Missouri, Kansas City) and former World Bank economist Joseph Stiglitz.

To the above list could be added professors of economics and political economy teaching at universities in almost every other country one might name. Beginning in the late 1990s I initiated a project to collect their writings and bring them to public attention. The principles their perspectives embraced were described in a talk given at the 1988 Council of Georgist Organizations conference by history professor Paul Gaston as those of *cooperative individualism*. Thus began my effort to establish the School of Cooperative Individualism as an internet repository of any and all material related to these principles. This has turned out to be a project rich in its discoveries and one that continues to expand.

The time for implementation of the systemic changes necessary for the realization of cooperative individualism is long overdue if we want to solve the most serious of our economic and social problems. The time is long overdue to end what our British colleague Fred Harrison condemns as centuries of dominance by "free riders," that is, by the redistribution of income and wealth from its producers to those who by legal privilege are able to take without offering any goods or service in exchange.