

NO TIME TO LOSE: EITHER WE BEGIN TO PUBLICLY CAPTURE ECONOMIC RENT OR SUFFER THE CONSEQUENCES

A debate occurred during the formation period of the United States over whether law should distinguish between the land and natural resources as a societal commons or should embrace claims to nature as a legitimate form of private property. As historian Charles Beard observed in *An Economic Interpretation of the Constitution of the United States* (The Macmillan Company, 1913) those who drafted the Constitution of the United States and those who ratified the document in each state were men, most of whom were owners of large landed estates. They considered but rejected the Physiocratic ideal that the rental value of land ought to be relied upon as a 'impôt unique' (i.e., the sole source of revenue with which to pay for public goods and services). Instead, they settled on imposts on imports and on revenue from the sale of the public lands.

As Henry George (and some later economists influenced by George's perspectives) argued, the American System established landed privilege as a serious burden on equality of opportunity for future generations. The problem remained hidden until (as historian Frederick Jackson Turner observed) the frontier closed. Almost from the very beginning of European settlement in North America, speculation in land had been a major source of wealth accumulation. This was certainly the case for George Washington, for many of his generation and for those the Crown had privileged with deeded land grants. Today, there are individuals and corporate entities that hold title to areas of land equal to the size of some states. There is a relatively small number of commercial real estate firms that own many centrally-located land parcels in the nation's major urban centers.

Today, not quite 65 percent of households in the United States are owner-occupants of a residential property. About one-in-three own their property free and clear of mortgage debt. And, the mainstream media and most economists positively comment on the wealth-

building effect this has on those households who manage to become owners. What is not discussed is the fact that what increases in value is not housing. Housing is a depreciating asset that requires ongoing expenditure of money for maintenance; then every decade or so owning a house requires huge spending for systems replacement. The value of a housing unit is accurately calculated as replacement cost, less depreciation. So, what is increasing over time is the value of the land parcel on which the housing unit sits. And, land values are a function of locational advantage. Some advantages are a function of nature and some are a function of the quality of public goods and services brought to the location. Thus, logic tells us that increases in land value are unearned by individual owners; they are, in effect, gains from rent-seeking privileges under law and how real estate is almost universally assessed and taxed.

Common sense (and economic science) should dictate that the depreciated value of buildings should not be taxed. Annual taxation of buildings imposes an unwarranted cost of ownership above that of maintenance. Common sense and a commitment to equitable taxation to support local government should dictate that something close to the full potential annual rental value of every privately-held location should be captured to pay for public goods and services. Any public lands offered under lease to private individuals or entities should be charged this same rental value (adjusted every few years to reflect current market rental values).

Henry George argued in his writings that the elimination of all taxation except for that on the rental value of land would lead to sustained full employment without inflation and bring about an end to poverty. The time is long overdue for us to recognize as a moral principle that the earth is the birthright of all persons, equally, and that the public capture of economic rent is the only practical means by which this principle can be established under law. 