

A TOUGH NUT TO CRACK, LET'S TRY SOMETHING NEW

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Georgists have admirably persisted for over 100 years in carrying forward the visionary goals of Henry George. At the same time we beat ourselves up for the obvious failure at widespread implementation of the "single tax". But defined broadly as a tax on natural opportunities, the "single tax" has some noteworthy successes. For example, collection of rent on natural resources exists to a greater or lesser degree in many states and countries. 39 American States collect severance taxes on dozens of resources including fossil fuels, minerals, ores, gemstones, forests, fisheries, etc. (See (<http://www.ncsl.org/issues-research/budget/state-energy-revenues-update.aspx>))

Globally there are about 70 sovereign wealth funds based mostly on rent from oil, copper, phosphates, and other minerals. (See: <http://www.swfinstitute.org/fund-rankings/>) Some are used for public purposes such as education, pensions, or health care.

Many countries collect oil rent including Norway which has 50% royalties and 28% corporate tax for a total of nearly 78% of the gross revenue from oil. Government ownership and royalties give numerous other countries a large share of oil rent.

These resource-based taxes are easier for governments to implement because they don't directly strike the average citizen, they fall mostly on corporations, and there is a large amount of money available from a small number of sources. They do not require any agreement or government approval by the citizenry, because it does not fall on them directly. One of the arguments in favor of income taxes is that it requires the consent of the citizenry and presumably citizens would resist if they disapproved of government behavior. One of the theories of the "Resource Curse" is that with resource revenues governments do not require any consent from the public for their actions.

Contrast the situation of resource revenue with the case of the land value tax or site rating. After 100+ years of Georgist promotion, the frontier of LVT has barely moved. This is the subject of most of the self-flagellation by Georgists. For this we may consider the movement a failure. Something that is so self-evident, so true, and would be so effective at relieving poverty is so utterly resisted by the populace, and so subject to backsliding when implemented. It is not just resisted by the usual suspects of land speculators, developers, and corporate landowners, it is resisted by the vast majority of the population. Why? If we don't answer this question then we can't find a way to move forward.

Yet George himself provided the explanation. One of his core principles of economics was that people seek to provide for their needs with the least effort. This is the basis of rent-seeking behavior; "Money for nuthin' and chicks for free." 70% of the public in the US own their own homes. 70% of the population benefits from inflation in land values. Furthermore, their primary residence is the only thing most people own that maintains its value in the face of constant inflation due to the ever-

declining value of the dollar in our debt-based money system. Only real-estate holds its value against inflation and taxation. Landowners get a "piece of the action" of unearned rentier income. They want their land value to inflate as much as possible, as fast as possible. Talk to any homeowner, they will tell you the same thing: they scrimped and saved and worked like a slave for years to pay the mortgage, and whatever increase in land value happens, they deserve it.

Meanwhile, Georgists proclaim that the land value tax will drive land prices to zero as the tax increases. In return for giving up the equity value of their real estate and paying a whopping annual tax, Georgists offer a promise that if LVT is implemented, involuntary unemployment will disappear, poverty will be reduced, and governments will be on a sound financial footing and will eliminate income, sales, or other taxes on production. In other words, we offer pie-in-the sky in return for an almost guaranteed annual increase in land value that people can keep, or sell and cash in. Isn't "a bird in the hand worth two in the bush"? Is it any wonder that people don't buy this pitch? Let's face it. It's a tough nut to crack.

Georgists are essentially saying, "We'll take away your guaranteed return on land, your only reliable asset, your life savings built up over time through mortgage payments, your hedge against inflation, and in return we promise that society will get better." Most people aren't buying it. In fact, if anything, people revolt against property taxes because it is often the only tax they can influence because it is imposed at the local level where government can be effected by citizen action. Remote state and national capitals are harder to influence. Income, sales, excise, and capital gains taxes are all harder to change.

How do we break through this? Let's start with a radical premise. 70% of the people are already getting their share of land rent, are they not? In George's day I believe it was a much smaller number of landowners reaping the benefits, so they could be portrayed as an elite class. Historically the post-WWII GI Bill low-cost mortgages, mortgage interest deduction, and other programs spread homeownership widely into the middle class. True, not much land rent is collected today for government revenue and used for public projects. 70% of the people are getting their share of land rent directly. If there is any doubt, consider the widespread use of "cash-out refinance" of home mortgages, where people take advantage of rising home values, take cash out of their principal, and refinance the balance, or home equity loans. These have been described as using your house as an ATM machine. Some people who enter the market at the end of the 18 year real estate cycle do overpay and end up "underwater" on their mortgages, but in the long run, most people gain about 7% a year on land, which is more than the average inflation rate. Furthermore, home ownership and gaining real estate equity is part of the American Dream. You wanna go against a dream?

What about the other 30% of the population who don't own land? Since this (continued on page 10)

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is a zero-sum game they are the losers.

For every increase in land value for owners, non-owners have to pay more to purchase or rent a home. This is what drives their wages to subsistence and results in widespread poverty. In Vermont for example, the median salary has been about \$5,000 to as much as \$20,000/yr below what it takes to afford the median house mortgage.

When the government reduces someone's property value the owner can sue the government for compensation under "takings" law. What increases land values? We all know it's mostly government services of schools, parks, public utilities, fire, police, roads, transit, etc. But when the government through public services increases a landowner's property value does the government get compensated? Of course not. "Takings" is not symmetrical, it's a one-way ratchet. It only applies when people lose value, not when they gain, although by reciprocity it should include value recapture for the government.

Giving is always easier than taking. Following this principle, instead of proposing to take away land rent from landowners, why don't we propose to give land rent to non-landowners? If 100% of citizens received a share of land rent, wouldn't this be a libertarian version of the Georgist single tax? Government would still have to collect LVT from landowners. The difference is that people would get their share directly instead of routed first through government spending on public programs. It would be like an Alaska Oil Dividend for land. So how to do it?

I am not a lawyer, but it seems to me that the 14th amendment of equal protection under the law would apply in this case. 70% of people receive a share of a mostly government created benefit, namely socially created land rent, an annual virtual payment for their land, which they can cash in when they sell. Isn't it even in the National Income accounts as imputed rent? Wouldn't that be strong evidence? 30% of the public does not receive this government created benefit. Isn't it a violation of equal protection to favor one class of citizens over another in government policies? Couldn't this violation of equal protection be cause for a class action lawsuit on behalf of the 30% of citizen's who do not receive land rent?

This would be a "giving" instead of a taking. Yes, the 70% of landowners would have to share some of their rent with the 30% non-owners, but they would still get most of it. It's much easier to argue on behalf of giving something to 30% of the people due to fairness, compared to taking something from 70% of the people counting on their (non-existent) idealism.

Maybe the numerous homeless, affordable housing, and poverty reduction groups would get onboard this effort to give everyone a share of land rent. I am putting this idea out there for comment, because promoting LVT is a hard sell and we should try other approaches. This is not to say that we shouldn't keep trying, but our efforts would be assisted by other methods. At the very least it would shine a light on the issue of unearned land rent, and appeal to people's sense of fairness, instead of defending their sense of entitlement to their property. Einstein defined insanity as doing the same thing over and over and expecting a different result. Maybe we should try something new? <<