

DIRECTORS' PERSPECTIVES

WHERE THE RSF BOARD EXPLORES CURRENT APPLICATIONS AND IMPLICATIONS OF HENRY GEORGE'S TEACHINGS.

HOUSING AFFORDABILITY

BY FRED FOLDVARY

Imagine living in an indigenous, pre-modern and traditional community such as existed in the Amazon prior to the invasions by Brazilian miners and farmers. Would anyone in such a community be homeless? Of course not. Any capable member of the community would be able to go into the forest, gather some wood, and build a shelter. This person would not need to buy or rent land; a portion of the community's land would already be available for him or her to occupy and build upon.

Then why (apart from the fact that pre-modern societies often had different concepts of ownership and communal responsibility), are there people, in our much richer and highly developed world, with no decent place to live? Moreover, why are there families who spend half their income for minimal housing? In high-priced places such as along coastal California, many families must reside far from their place of work and encounter high commuting costs.

Is housing affordability an inherent feature of a market economy? The problem is not one of population growth. Even though the amount of land is fixed, dwellings are variable. When there is a greater demand for housing, a free market responds with an increase in dwellings, either on more sites or with taller buildings on existing sites.

Our current housing problem originates in the price distortions caused by taxation and subsidies. Even poor people pay taxes. Low-income earners pay the same sales tax per dollar of goods as the rich. Low-income workers also pay substantial payroll taxes. Moreover, taxing employers of labor reduces employment and ends up reducing net wages. As a result, property taxes on buildings make it more expensive to



Aboriginal Huts on the Amazon River from "Woman Triumphant"; the story of struggles for freedom, education, and political rights

build and to improve structures, and in the end this increases the cost of housing.

A person who is both a worker and tenant gets double-billed for government services. Most people want to live near services such as public transit, schools, security, parks, and streets. The demand for these locations generates higher land rent and land value. Since the cost of these public goods... (cont'd on pg. 5)

THE COMMONS

BY RICHARD NYMOEN

The earth is our common home. Most, if not all, people would agree with this principal statement, at least conceptually and in the abstract. But what could be a comprehensive practical implementation of this principal statement that would be of social and economic benefit to all?

In practice, this principle can be realized through applying a concept known as the Commons. A commons is something that belongs to everyone equally, such as the earth's atmosphere or its waterways, and the concept of the Commons can be applied to land use as well.

For example, a few years ago, Common Ground USA's Minnesota Chapter, to which I belong, was approached for ideas about how to increase access to land for new farmers in Minnesota. Farm land was selling in Minnesota for as much as \$10k per acre, due to high crop prices and speculative purchases of farm land, and these high land costs were a major impediment to land access for those wanting to become farmers.

After consulting with some Common Ground USA members in other states who were knowledgeable about farm land issues, we crafted a proposal titled "Rent-sharing Farm Trust," which borrows from a couple different approaches.



The ocean's bounty is often held up as an example of the commons.

The first approach from which it borrows is the basis underlying something called a Community Land Trust, which is used in the affordable housing context. In a Community Land Trust, someone looking for a home will buy it from the trust...(cont'd on pg. 5)

HG Trivia

Henry George's birthplace is located in the Washington Square West neighborhood in Philadelphia, and is marked by a placard with details of his life and death.

Housing affordability (cont'd from pg. 3)

falls mostly on wage taxes, either when earned or when spent, those who own land receive the subsidy of greater rent and land value, while worker-tenants pay both taxes on wages and the higher rentals to landlords.

This is how the tax system pushes down net wages while inflating land values. And this is how housing becomes increasingly unaffordable. The solution to this problem is to do the opposite: no longer tax wages and shift the source of public revenue to a tax on land value. Workers would have higher wages, while housing would become less expensive and more affordable.

Photo by Toby Wong on Unsplash



The elimination of excessive restrictions on new construction would also increase the supply and reduce the cost of housing. This includes zoning where, in some places, there are restrictions on greater density, making the land more expensive, while also reducing the supply of housing for lower-income people.

The high cost of housing generates a call for rent control. But government cannot control rents. Policy can only control who receives the rent. If the law prevents the landlord from collecting the rent, then in effect, the benefitting tenant is receiving the corresponding rental value. Rent control produces both waiting lists for dwellings and a conversion of rental units to owner-occupied houses and condominiums.

Instead of having some lucky tenants receive the rental value, the whole community would benefit from the collection of the land rent. Rent control would not be needed if the imbalance of high rent and low wages were corrected. The tax shift from wages to land value would rectify the root cause of housing

unaffordability, and then there longer would be a need to address the problematic effects.

If indigenous, pre-modern and traditional communities in the rain forest could provide housing for all their members, then there is no good reason why there should be a problem providing families in our much richer, more developed and high-tech communities with housing. The solution is to un-tax labor and to share the rent.

The commons (cont'd from pg. 3)

but after the purchase the homeowner only has title to the house; the underlying land is still owned by the trust. Thus, the homeowner then can borrow less to purchase the house because only the house must be financed, not the land on which it resides. The trust then charges about \$30 in rent per month for the land itself. Houses purchased from the trust do not have to be clustered together; they can be scattered geographically.

Another approach from which our proposal borrowed is found in a plan for fighting climate change called "Carbon Fee and Dividend" or CFD. According to a CFD, people are charged for how much carbon they emit. The revenue collected from the carbon fee forms a fund from which every resident in a certain geographic area receives an equal dividend. The carbon fee serves as a deterrent to the amount of carbon people emit, while distributing the proceeds equally among the affected residents. This translates into practice the fact that the earth's atmosphere belongs to and is for the benefit of everyone equally.

Through a Rent-sharing Farm Trust's combination of these two approaches, full-market land rent would be collected from farmers who rent land from the trust, and the farmers would also have title to any buildings or improvements on the farm land. The farms could be spread across the state and the land rent collected from them would form a fund from which the trust's expenses would be paid, while the surplus in the pool would be returned to the trust's farmers as an equal rent credit.

For example, if the trust collected \$100 in annual rent from Farm 1, \$200 from Farm 2, and \$300 from Farm 3, half of the \$600 in total rent collected could go for trust expenses and the remaining \$300 would be split equally among the three farmers as a \$100 rent credit. Therefore, the net rent would be \$0 for Farm 1, \$100 for Farm 2 and \$200 for Farm 3.



This approach is similar to when heirs inherit land in common, meaning the land belongs to all the heirs equally. If the land is rented out, the heirs split the proceeds equally among themselves. The Rent-sharing Farm Trust uses the same concept to make it more affordable for new farmers to access land.

Commons-based approaches such as Rent-sharing Farm Trusts can be used to address the land issues that underlie so many of the environmental, social and economic problems which result from the failure to practically apply the truth that the earth is our common home.

Property Tax Incentives for New Housing Spurred Gentrification in New York City (cont'd from pg. 4)

(which associated with low-income tenants) following an increase in the new housing units. Existing building-owners invested more in their buildings and were more likely to apply for permits for renovation in regions which received more investment.

While the results detailed in my paper do not quantify the aggregate effects, they do show that the local effects of additions to a particular locale's housing stock do not necessarily mirror the... (cont'd on pg. 6)