

A FRESH LOOK AT EQUAL OPPORTUNITY

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Tax incentives purport to lessen the tax burden to stimulate engaging in some desirable economically productive activity. Now just imagine the incentive of lifting the whole tax burden from everyone. No more income taxes, sales taxes, capital gains taxes, excise taxes, gasoline taxes and numerous other government fees. But this begs the question of how we would support all the government services we want and depend on. Happily there is a legitimate source for government revenue that is now virtually untapped and goes largely to a relatively few wealthy individuals. Remarkably, redirecting this income stream for public purposes actually creates a further incentive for economically productive activity. The net result would be a very robust private sector offering employment to more and more people.

What is this miraculous income source you may ask? It's actually in plain sight and almost impossible to conceal. This insures some transparency in its collection and promises to eliminate avoidance of the fee or cheating on the amount. **The answer:** it's simply the return for the service provided by land and resources including water and mineral, surface and air rights – the joint inheritance of all mankind. Call it a gift of nature or whatever you want but thoughtful economists down through the years have recognized it as a community asset and not private property in any sense. However, our current land tenure systems treats land and resources as private property and in a further abomination modern economists often consider it as capital.

When you talk about a level playing field you have to start with the land. If you mistreat the land by making it private property you introduce a bias right at the beginning which eventually leads to the great wealth divide we find ourselves in today. Now if you realized that everyone should share equally in this service revenue for the exclusive use of land and resources how would you go about rectifying the situation we have today where it goes largely to people with titles to land and resources? In the past some countries have tried land redistribution which might seem like an equitable solution in an agrarian economy. However, even in these cases over time stronger players ended up controlling a greater share of the land. Fortunately for us there was a great American that boldly offered a more realistic solution. His name was Henry George and he put forth his great fiscal reform in the book *Progress and Poverty*. Wanting to cause as little disruption as possible in this transition to a better economic system he felt we could keep land and resource titles just as they were. However, the people enjoying these privileges would owe to the community the value of holding them on an ongoing basis.

You may wonder why we pick on land. There are several good reasons. First, land and resources are of a limited quantity and as demand for them goes up with increasing population and technology the cost tends to rise disproportionately leading to periodic recessions. Land and resources are vital but passive factors in all production of goods and services. They were not produced by human labor so no one has a just claim on their ownership. You can legitimately own what your labor helped produce. No one produced land and resources. Indeed the word rent is commonly understood as a payment for the use of something you do not own so its use is very appropriate for the return for the use of land. People who "own" land can enjoy a passive income without any exertion on their part by renting it out. But how does collecting this rent for public purposes fulfill the requirement that all should have equal access to land? It does this by funding the public goods and services everyone enjoys equally so all are sharing in this bounty of nature. Also, when you work your wages are not confiscated by any taxation either direct or indirect. You enjoy the full fruits of your labor. Lifting the tax burden, of course, is a powerful stimulus for the economy and businesses can run and expand for real economic reasons unencumbered by tax considerations. No one person or sector is given special treatment so this is truly creating a level playing field. This is what real equal opportunity should look like.

Economists have long observed that land benefits from every increase in productivity and added improvements. In fact land tends to absorb the lion's share of any increase in wages and profits. Another phenomenon of land is that all taxes tend to come at the expense of rent, i.e. taxes reduce the rent and hence the value of land. This fact is important when considering whether this new source of government revenue would be sufficient for the level of public goods and services we are accustomed to. In this transition to a better economy as taxes are reduced and shifted to collecting the rent of land, the value of land actually goes up. At the same time we are collecting more and more of the rent so this prevents land from becoming too expensive to use. Its cost will be more proportional to the growth of the economy. This does not necessarily eliminate all economic bubbles but certainly would squelch any tendency to a land bubble so the economy would progress at a more even rate.

This is a structural change and the beneficial effects would not be immediate but would accrue over time as the system was phased in.

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