

Point - Counterpoint (Cont.)

POINT (CONT)

There are many factors in the mix: new technology, international division of labour, better education, inflation..., but the bottom line is that jobs pay what the market will bear.

For example, the minimum people will work for, and rental and owned accommodation always costs what the market will bear. Unemployed people will always bid down wages and desperate people will always pay whatever they must for housing. This downward spiral of maldistribution can only be broken if the UBI is financed by economic rent capture.

Economic rent is revenue from the rental of the commons, it is unearned wealth that capitalizes into the upfront price of land, resources and internet platforms, which presently benefits only the monopoly owners of these gifts of nature. Everyone has a right to their share of these dividends, which makes it a perfect way to finance a basic income.

The main problem is the asset liquidity traps. The societal surplus (unearned income, economic rent) doesn't go to the productive economy: the working poor, small business or unionized labour. It goes to the speculative economy, to those who command land, resource and internet monopolies.

Economic rent capture benefits the economy by removing the incentive to speculate, leaving capital no alternative but to invest in the job-rich productive economy:

- Employers will compete for employees, bidding up salaries
- Investors will shift to value-added production and away from speculation
- Land value taxes cannot be passed on to tenants, landlords will lower rents to compete for tenants
- Upfront home prices will drop since mortgages will not be needed for land portion of properties
- Rent-funded UBI benefits will stay with recipients, no longer migrate to asset monopolists.

The only way to permanently eliminate poverty is to break the monopoly owners' grip on the unearned increment, shift the tax burden off the productive economy and onto the speculative economy and distribute the rental value of the commons to all equally as a citizens' dividend or UBI.

EVEN AN IMPERFECT UBI NOT NECESSARILY "SELF-DEFEATING" - COUNTERPOINT

I broadly agree with Frank de Jong regarding UBIs (UBI self-defeating unless funded by rental value capture): to do universal basic income without a land value tax is foolish, and fundamentally unsustainable. However, I disagree with the characterization of "self-defeating", for reasons of both a technical and political nature:

1. Even a badly-funded UBI will still do a lot of good, for a decent while

Georgists recognize landowners as "The Robber That Takes All That Is Left": as the most stolid factor of production, land has the power to demand the surplus of any other factor. It's important to remember that this is not general and absolute, but rather true only in the long-term and in aggregate.

In a theoretical world, given enough time, every landless worker is brought down to the level of subsistence and no more. In the real world, such complete catastrophe is avoided: the landless still retains a few meager options (the exurban frontier beckons), and landlords lack perfect information. (Not being privy to each individual renter's income and consumption habits) In the absence of the information that could make them pure price-setters and not being in perfect collusion with every other housing supplier, the landlord manages to let each renter escape with some extra cash.

The population is not made up of identical "marginal workers," and it's right to believe that the UBI, even if funded in unfortunate ways (such as Andrew Yang's focus on consumption taxes) will smooth out several unfortunate disparities:

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- It would constitute a cash-transfer from the higher-income to the lower-income
- From workers to non-workers (a group largely containing those who should not be working, such as the elderly, the disabled, students, caregivers, and others who may be neglected in the current threadbare safety net)
- From people with higher consumption habits to those with lower consumption habits
- From the lucky and fortunate to the unlucky

This is another way of noting the broader truth of ATCOR (all taxes come from rent), not in its strong (ground rent) form, but rather its weaker (economic rent) form, which is tautologically true; if taxes are not paid out of a surplus above which it takes to drive a factor into production, these taxes cannot exist at all.

The harm? Taxes will also create deadweight loss (as described in Mr. de Jong's argument). On the margin, production will be curbed, the actual buying power of workers will shrink. It's worth remembering that producer surplus for workers is technically a form of rent, but the good kind: what's the point of society unless we want people to have slightly more than the bare minimum?

Even though some miseries creep in, there are limits, and the likely outcome in the absence of something
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destabilizing is something akin to a European welfare state. Not anything that absolutely solves poverty and the fundamental inequities of society, but one that smooths out the rough edges. Hardly a complete disaster.

2. An alternate framework: Full Employment and Inflation

In Mr. de Jong's argument, it's stated "unemployed people will always bid down wages", but is it possible that the dynamics of UBI will change this? If UBI is truly transformative in the way its advocates declare, we'll see a profound change in what employment entails: work will become far more fluid and less obligatory; jobs will only be undertaken when the trade-off (wages vs disutility) seems truly fair.

It's instructive to relate this to the concept of Full Employment, in the Kaleckian sense – as defined by William Vickrey, full employment is when any single person can find a job at a living wage, within 48 hours—quite unlike our world, even when unemployment is low.

Will UBI create labor markets as tight as all this? Two possibilities seem on the table (absent LVT):

> If they do, we're likely to see asset prices spiraling (as is clearly already happening in some of the tightest labor markets, such as Silicon Valley). Workers make more, key assets such as housing cost more, repeat ad infinitum. If this is indeed

occurring everywhere and not just a few loopy markets, we will be in an inflation spiral in need of resolution.

> If the UBI is too meager to tighten labor markets considerably, there is no danger of inflation spiraling (but also a fairly meager impact; some people on the margins will benefit from this UBI, but it's far from transformative).

I believe the former is preferable to the latter. A UBI that fails to end poverty is safe but rather depressing, a potentially beautiful program turning out to be a dud. The former is a disaster, but with the potential to turn out of the tailspin.

When inflation spirals, perhaps the program would be aborted or defanged, but hopefully another option exists: to take on inflation directly, and not through ineffective means (harsh interest rate hikes which kill Full Employment, crude price controls), but rather nimble programs that dampen spiraling asset prices. This will necessarily involve a number of interventions, but the intervention for real estate is obvious: the Land Value Tax.

An imperfect UBI may not be "self-defeating," but may create a destabilization that could trigger an end to poverty and a newly stable equilibrium. Overcoming rentiers and implementing LVT is never easy, but the panic of inflation seems a greater opening than a placid interlude.

WHAT'S NEW

We are excited to welcome Stephanie Barrios-Cullins as our new Community Outreach and Engagement Coordinator. In this role, she will primarily focus on supporting the work of the Center for Property Tax Reform (CPTX). Stephanie has a range of experience working in outreach, advocacy, fundraising, and wellness. She has worked for nonprofits geared toward underserved populations such as Planned Parenthood and founded a small grassroots organization called Yoga Gives. She is a graduate of Rutgers University and holds a Master of Public Administration. Stephanie also works independently through a wellness lens, serving marginalized women and teaches workshops and trainings based in social justice, diversity, and inclusion.



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