

RSF'S NEXT CHAPTER

BY JOSIE FAASS, EXECUTIVE DIRECTOR

With new leadership come new ideas and directions, and together with the Board of Directors, I've spent the first few months of my tenure as Executive Director identifying our priority areas and activities for the next three years. Some are brand new, others are an extension of efforts begun long ago, but all represent a continued commitment to creating a world of liberty and equality of opportunity arising from economic, social, and environmental justice.

Those familiar with RSF know that we've been involved in publishing and book distribution for a long time. In the next few years we'll focus on supporting the creation of even more scholarly and popular content, digitizing our existing collections into a free online database, and converting all of our titles to e-book and print on demand formats for ease of distribution.

Another major area of activity in RSF's future will be outreach – outreach to outreach to the Georgist community and to those who don't (yet) consider



Photo Credit: Matthew Howard, Board's 19 year old son

themselves Georgist, but who share our ideals, priorities, and the belief that everyone will benefit from the implementation of more sound tax and trade policies at the local, national, and global levels. Key to our success in these efforts will be the formation of partnerships with like-minded organizations and individuals who can help us amplify and propagate our ideas into new spheres of influence, and we look forward to strengthening existing ties, and to creating many new ones.

RSF will also be more actively communicating with individuals and groups interested in exploring

whether and how the adoption of a land value tax (LVT) might benefit their communities. We recognize that access to expert analytical resources and individuals able to answer location-specific questions can mean the difference between sticking with a familiar (albeit potentially inferior) approach to local taxes and trying a new and better solution.

Education is an area in which the Foundation has long been active, and one on which we will remain focused. By providing support to educators and students of all ages, we will continue to share the wisdom of Henry George and like-minded thinkers.

Finally, and perhaps less visibly to the outside world, we'll work to optimize our own operations and grow our resources, thereby enhancing our efficiency and impact.

At RSF, we know that once you “see the cat,” you realize “it’s all cat,” and are committed to facilitating this fundamental shift in the way people view the world and our place in it.

Land Value Tax (LVT): a tax imposed on land as a way of recapturing the portion of its value that results from the community-generated amenities to which it gives its owners unique access.

LVT can discourage land speculation and sprawl, and create a stable, progressive local revenue stream without discouraging private investment.

Directors' Perspectives

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

THE HENRY GEORGE THEOREM

BY NIC TIDEMAN

“The Henry George Theorem” is the name that economists have given to the postulate that, under certain circumstances, a public service will increase land rent[1] enough that, if the increase in land rent is collected as public revenue, this revenue will sufficient to pay for the service. This idea is important because it maintains that public services can be financed not by sales taxes, income taxes or other taxes that burden the economy, but simply by collecting the increase in land rents that result from the public services provided.

The main premise of the Henry

George Theorem is simple. For many public services, such as parks and libraries, their benefit is greater to the people who are closer to the place where the service itself is provided. Therefore, people bid up the rental value of land that is closer to provision of such desirable services. If all of the benefits from proximity to a new public service are reflected in increased rents, and if the service is worth at least as much as it costs to provide, then public collection of the increase in rents will suffice to pay for the service. (Cont'd pg. 4)

SEGREGATION

BY RICH NYMOEN

My kids recently started back to their high school, as did millions of other kids across the country. I'm fortunate that they attend public school in a district that is academically strong and fairly well integrated along racial lines.

That's unfortunately increasingly rare these days and it is due in large part to the country's segregated housing patterns.

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(A) GROUP OF INFLUENTIAL REFORMERS THAT INCLUDED ALBERT EINSTEIN, HELEN KELLER, LEO TOLSTOY, AND EMMA LAZARUS WERE PUSHING A REFORM THAT WOULD HAVE HELPED...

If you start learning about housing segregation—meaning the patterns in which whites predominantly live in areas apart from areas in which people of color predominantly live—and how it developed, you learn that concern with “property values” played a big part. It drove both individual and institutional behavior by having what experts call “push and pull” effects. Push refers to the reasons whites leave integrating neighborhoods and pull refers to the reasons why whites... (Cont'd pg. 4)

DIRECTORS' PERSPECTIVES, CONT'D

The Henry George Theorem (Cont'd from pg. 2)

This kind of assumption is attractive to economists who want to reach purely mathematical conclusions, but, practically applied, it is not realistic. If instead one makes the realistic assumption that people differ in their incomes and tastes, and that, for each type of land, the ratio of benefit from the service to acres occupied varies among persons, then it is no longer possible to reach the conclusion that the full benefit from the service will be reflected in increases in land rents. Still, the more uniform the ratio of benefit to amount of land occupied at any given distance, the more fully the benefit of a public service will be reflected in increased land rent.

In some cases, increases in the rental value of land will be more than enough to pay for a public service, even though the service has costs that are greater than its benefits. This can happen if the service has negative consequences that are not charged to its account. Two examples are given here.

First, consider the building of a new subway line. Land rents in the vicinity of the subway stops will rise greatly. But to take efficient advantage of the subway stops, it will be necessary to tear down existing structures and replace them with taller ones. The coming of the subway line turns the existing structures into trash. A proper accounting of the costs and benefits of the subway line would include a charge for the reduction in the value of the structures. If this loss of value is not charged to the subway line, then it would be possible for the benefits to be greater than the calculated costs, even though the benefits were actually less than the full social cost. Any change in public services can be expected to change the value of fixed improvements, and, to the extent that the existing improvements were appropriate for the site, a change in public services will generally reduce the value of the improvements.

Second, consider public parking lots opened in a neighborhood with

narrow streets, old apartment buildings, and a previous severe shortage of parking. The neighborhood was previously well suited to people who did not own cars, but the public parking lots make it attractive to people who own cars. Rents rise, and the people who do not own cars can no longer afford to live there. If these people were perfectly mobile, so that they could move at zero cost to some other place that provided the same level of satisfaction for them, then the need for them to move would not be economically consequential. However, in the more realistic case, in which those who move are worse off for the combination of moving costs and higher rents that are not quite high enough to make it worth moving, these "gentrification costs" are part of the cost of opening the parking lots. If these costs are not included in the calculation of the costs and benefits of the parking lot, then it would be possible for the increase in land rents to be greater than the calculated cost of the parking lots, even though that increase in land rents was less than the full social cost of the parking lots.

To summarize, the benefits from public services tend to be reflected in increased land rents in the areas where the services are accessible. Under certain conditions, the benefits from public services will exactly equal the increase in land rents. For this equality to occur, the benefits must be received only by those in a limited area, rents must be determined by a free market process, and all persons in the affected area must have the same ratio of benefits to acres occupied, at any given distance from the service. When people differ in their incomes and tastes, some small fraction of benefits will not be reflected in increased land rents.

It is also possible for the financial cost of a public service to be less than the resulting increase in land rents—even though the service is not worthwhile, if the public service has negative consequences that are not charged to its account. Two costs that must be included in a full cost accounting for a public service are the resulting reduction in the value of fixed

improvements and the dislocation costs for people who have lived in the area and do not value the public service as highly as it is valued by newcomers. When these costs are charged to the account of a public service that has benefits within a limited radius, a comparison of the increase in rent, with the combination of the ordinary costs of the service and these external costs provides a good test of whether the services are worthwhile.

[1] Rent, as I use the term in this blog post, is a payment for the use of land or some other natural opportunity. When money is paid for the use of a building, the land rent is the part of that payment that is attributable to the land under the building. Because the best use of land often involves constructing buildings that last a long time, the meaning of the rent of land under an existing building is not obvious. The conceptual resolution of this difficulty is that the rental value of a plot of land for the coming year is how much more valuable it would be to have the use of the plot of land, beginning with vacant land, into the indefinite future beginning now, than it would be to have the use of the plot of land, beginning with vacant land, into the indefinite future beginning one year from now.

Segregation (Cont'd from pg. 2)

leave integrating neighborhoods and pull refers to the reasons why whites are attracted to non-integrated neighborhoods.

The push effect for individuals refers to the behavior of whites leaving neighborhoods that are integrating because they fear property values would drop, leaving them owing more on their mortgage than the property is worth. For institutions, it refers to insurance and lending industries refusing to insure and lend against properties in integrating neighborhoods for fear of drops in the property values of their collateral. Of course, these are... (Cont'd pg. 5)