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## Public Finance Based on Judeo-Christian Teachings

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**Summary:** This paper makes a case for a new form of democracy based on human rights to the earth as a birthright, linking this to the Judeo-Christian Jubilee Justice tradition and Old and New Testament teachings. The paper concludes by describing a tax fairness practical policy approach based on these ethics.

The United Nations Millennium Declaration was adopted by the world's leaders at the Millennium Summit of the United Nations in 2000. Secretary General Kofi Annan has said that the Declaration “captured the aspirations of the international community for the new century and spoke of a world united by common values and striving with renewed determination to achieve peace and decent standards of living for every man, woman and child.”<sup>1</sup>

All UN Member States pledged to achieve several Millennium Development Goals by the year 2015, including (1) reduce by half the proportion of people living on less than a dollar a day; (2) reduce by half the proportion of people who suffer from hunger; and by 2020, (3) achieve significant improvement in lives of at least 100 million slum dwellers.

The basic framework for these goals was set forth in the Universal Declaration of Human Rights, adopted by the UN General Assembly on December 10, 1948. Article I states “All human beings are born free and equal in dignity and rights.” Article 25 says that:

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

The International Covenant on Economic, Social and Cultural Rights was adopted and opened for signature, ratification and accession by the General Assembly on December 16, 1966 and entered into force on January 3, 1976. The Covenant pro-

claims these economic human rights, among others: "the right to wages sufficient to support a minimum standard of living, to equal pay for equal work, and equal opportunity for advancement." In addition, the Covenant forbids exploitation of children, and requires all nations to cooperate to end world hunger.

Nearly every UN member state has signed and ratified this important Covenant. The United States, Cambodia and Liberia have signed but not ratified it. Our government, founded upon clearly articulated political human rights, is floundering in the field of economic human rights.

The US Census Bureau reports that the number of Americans living below the poverty line jumped by 1.3 million to 35.9 million or 12.5 percent of the population last year. The latest U.S. Conference of Mayors Sodexho Hunger and Homelessness Survey reports that hunger and homelessness continue to rise in major American cities.<sup>2</sup> More than 3.5 million people, or 1.25 percent of the US population, are living in city streets or homeless shelters. The number of homeless grew by around 19 percent in 2003 and 13 percent in 2002. Twenty-three of the 25 surveyed cities reported that lack of affordable housing was the leading cause of homelessness. Twenty participating cities reported that unemployment and various employment related problems were the leading causes of hunger.

There is a significant lack of decent affordable housing in the United States. The growing gap between wage earnings and the cost of housing leaves millions of families and individuals unable to make ends meet. According to the National Low Income Housing Coalition, families across the country would need to earn a "housing wage" of \$15.21 an hour, nearly three times the current minimum wage, to afford a two-bedroom apartment at the average fair market rent.<sup>3</sup> In states with median housing costs, a minimum wage worker would have to work 89 hours each week to afford a two-bedroom apartment at 30% of his or her income, which is the federal definition of affordable housing.<sup>4</sup> Currently, five million rental households have "worst case housing needs," which means that they pay more than half their incomes for rent, live in severely substandard housing, or both.<sup>5</sup>

Economic Research Service of the United States Department of Agriculture released its annual report on household food security for 2002. It was no surprise given the recent increases in poverty that hunger and food insecurity rose for the third year in a row. A food insecure household is defined as a household that faces limited or uncertain availability of food. In 2002, 34.9 million people lived in households that were food insecure, 1.26 million more people than in 2001. This number includes 13.1 million children. The number of people living in households where someone was hungry also increased by 300,000 to 9.3 million. About 567,000 kids lived in homes where children were hungry, 100,000 more than the year before. The prevalence of food insecurity rose from 10.7 percent in 2001 to 11.1 percent in 2002, and the prevalence of food insecurity with hunger rose from 3.3 percent to 3.5 percent.<sup>6</sup>

The wealth gap is increasing in the US. According to the latest Federal Reserve data, the top 1% of the population has \$2 trillion more wealth than the bottom 90 percent.

Perceptions of the causal factors of these statistics and the suffering of so many who lack basic necessities in this wealthy country are most often simplistic explanations - these people lack money and they lack money because they lack jobs or their wages are too low, or housing costs are too high. For those concerned about the growing wealth gap in America and worldwide, and the resultant poverty, homelessness, hunger and food insecurity, the dilemma usually bogs down into supply or demand side efforts to find solutions. But the root cause is a deeper injustice.

The primary cause of the enormous and growing wealth gap is that the land and natural resources of the earth are treated as if they are mere market commodities from which a few are allowed to reap massive private profits or hold land and resources out of use in anticipation of future profits. Henry George, the great 19th century American political economist and social philosopher, proposed a solution to a problem that too few understood at the time and too few understand today. Early Christian teachings drew upon deep wisdom teachings of the Jubilee justice tradition when they addressed this problem. The problem is the Land Problem.

The Land Problem takes two primary forms: land price escalation and concentrated land ownership. As our system of economic development proceeds, land values rise faster than wages increase, until inevitably the price paid for access to land consumes increasing amounts of a worker's wages. In classical economics, this dilemma is called the "law of rent" and has been mostly ignored by mainstream economists. The predictability of the law of rent - that land values will continually rise - fuels frenzies of land speculation and the inevitable bust that follows the boom. A recent Fortune cover story informs us that there are big gains and huge risks in housing speculation in about 30 predominantly coastal markets that encompass 100 million people. Since 2000, home prices in New York, Washington, and Boston have surged 56% to 61%. Prices jumped 58% in Miami and Los Angeles and 76% in San Diego where the median home price countywide is \$582,000. The gap between home prices and fundamentals like job growth and incomes is greater than ever.<sup>7</sup>

The second form of the Land Problem is the fact that in most countries, including the United States, a small minority of people own and control a disproportionately large amount of land and natural resources. Data suggests that about 3% of the population owns 95% of the privately held land in the US. Less than 600 companies control 22% of our private land, a land mass the size of Spain. Those same companies land interests worldwide comprise a total area larger than that of Europe - almost 2 billion acres.<sup>8</sup>

In order to show that there was NO NEED for land reform in Central America because our land in the US is even more concentrated in ownership than Central America, Senator Jesse Helms read these facts into the Congressional Record in 1981: In Florida, 1% owns 77% of the land. Other states where the top 1% own over two-thirds of the land are Maine, Arizona, California, Nevada, New Mexico, and Oregon.

A United Nations study of 83 countries showed that less than 5% of rural landowners control three-quarters of the land. Other studies on land ownership report these facts: In Brazil, 2% of landowners hold 60% of the arable land while close to 70% of rural households have little or none. Just 342 farm properties in Brazil cover 183,397 square miles - an area larger than California. In Venezuela, 77% of the farmland is owned by 3% of the people. In Spain, 70 per cent of the land is owned by 0.2 per cent of the people. In Britain, 69 per cent of the land is owned by 0.6 per cent of the population. Just 158,000 families own 41 million acres of land while 24 million families live on four million acres.<sup>9</sup>

The basic human need for food and shelter requires access of labor to land. With access to land people can produce the basic requirements of life. Access to land provides an enabling environment for life itself and thus meets the minimum requirement of love, meaning fairness in human relations based on the fundamental equal right to exist. The Land Problem in its two forms - the inequitable ownership and control of land and natural resources and the treatment of land as a market commodity - is the root cause of the great amount of human deprivation and suffering from lack of the basic necessities of life. And yet the human right to the earth is missing from the Bill of Rights, the Universal Declaration of Human Rights, and the Covenant on Economic, Social and Cultural Human Rights.

Democratic governance has not yet concerned itself with a "first principle" question. This question concerns property rights in land - property rights in the earth itself. The question is, "Who Should Own the Earth?" The question of "Who Should Own the Earth?" is a fundamental question. In venues when this question is asked, the answer is always the same. The answer is, "everyone should own the earth and on an equal basis as a birthright."

The right to the earth has yet to be pronounced in human rights covenants. Democracy is unclear, ethically weak, and on shaky ground when it comes to the question of the right to the land and resources of the earth. Democracy as presently constituted lacks this most fundamental and basic human right - the equal right to earth. The right to the earth is the great undiscovered revolution in both American and global politics.

Early Christian teachings on the Land Problem, however, were clear and precise. The question of "Who Should Own the Earth?" was unequivocally answered. The land ethic of the early Christian communities was that of *koinonia* meaning essentially that God was the sole owner of the earth which was given as a gift to all

for the *autarkeia*, the self-reliant livelihood, of all. In the words of John Chrysostom, Bishop of Constantinople at the close of the fourth century, "The very air, earth, matter, are the Creator's; and so are you yourself. . . and all other things also."

When Christianity became the state religion of the Roman Empire, the early Christian teachings on land were overtaken by the Roman land laws of *dominium* - a legalization of property in land originally obtained by conquest and plunder. A largely corrupted Christianity, uprooted from its early teachings on land ownership, too often went hand in hand with the exploitation and degradation of centuries of colonial conquests. A statement by the great South African Archbishop Desmond Tutu addressed this point in a succinct and profound manner. He said, "When the missionaries came to Africa they had the Bible and we had the land. They said 'Let us pray.' We closed our eyes. When we opened them we had the Bible and they had the land."<sup>10</sup>

Charles Avila, in his profoundly important book entitled *Ownership: Early Christian Teachings*, explored the early church fathers' view of property rights in land. He contrasted these teachings to Roman property rights law. In his chapter on "The Concept of Ownership" Avila states:

The concentration of property in private hands began very early in Rome and was indeed based on the foundational and legitimizing idea of absolute and exclusive individual ownership in land. This was the same idea that would come to form the basis of the slave owning, the feudal, and the capitalist (including the pseudo-socialist, or state-capitalist) economic systems successively. Modern civilization has not yet discarded this antiquated ownership concept, which was originally derived from ancient Rome. In fact, it seems to us, this is one of the main roots of the present global crisis, in which the rich become richer because the poor become poorer.<sup>11</sup>

Avila further noted that "the distinction in legal terminology between "real" and "personal" property is the survival in words of an ancient real distinction between property held in both theory and practice as common by its very nature and property which was the fruit of one's labor."<sup>12</sup> Avila said that modern social thinkers:

advocate the promotion of social justice without stopping to think that individual ownership of nature's bounty might be socially unjust in itself. And yet patristic thought insisted long ago that there could be no real justice, or abolition of poverty, if the *koina*, the common natural elements of production, are appropriated in ownership by individuals.<sup>13</sup>

Here are a few Patristic period quotes on land ownership that Avila compiled in his book:

**Ambrose:** How far, O ye rich, do you push your mad desires? Shall ye alone dwell upon the earth? Why do you cast out all the fellow sharers of nature and claim it all

for yourselves? The earth was made in common for all. Why do you arrogate to yourselves, exclusive right to the soil?

**St. George the Great** (Pope 590 - 604) rebuked the Romans when he said: They wrongfully think they are innocent who claim for themselves the common gift of God.

**Clement of Alexandria:** (The functions of property) - "to be shared," "to minister to" and serve "the welfare of all"; "not for personal advantage as being entirely one's own" but "for those in need"; "to achieve autarkeia" and "to foster koinonia" - constitute the very essence of Clement's view of property.

**St. John Chryostom:** God in the beginning did not make one man rich and another poor; nor did he afterwards take and show to anyone treasures of gold, and deny to the others the right of searching for it; rather he left the earth free to all alike. Why then, if it is common, have you so many acres of land, while your neighbor has not a portion of it?

**Augustine:** He (according to Avila's research) saw that the poor are poor because they have been deprived by the propertied few of the wealth that should belong to all. He laid the blame for this unjust situation squarely on the doorstep of an absolutist and exclusivist legal right of private ownership. He reminded his audience that they were all "made from one mud" and sustained "on one earth" under the same natural conditions, having the same essence and called to the same destiny. He rejected the legalized status quo as inappropriate for human living. Holding that legal arrangements of property rights were of human origin, he asserted that they should be changed, in theory and in practice, in function of a faith-informed ethic based on the true meaning of ownership.

**Basil the Great:** He saw that a privileged few were exceedingly rich, ostentatious, and powerful, inasmuch as wealth, particularly the wealth-producing resource, land, was concentrated in the hands of the few. He taught a philosophy of ownership based on the view that God was Father and giver and Provider for all, and that therefore a few must cease stealing the food-producing resources that God had destined for the use of all.

Basil admits a certain right of laborers to the product of their labor but asks the landlords by what right they exercise ownership over their vast estates:

Which things, tell me, are yours? Whence have you brought them into being? Whatever you have produced, or brought into being, may justly be yours. However, it is land that has made the landlords rich, and land is not something they have brought into being.

Speaking to the rich Basil said:

You are like one occupying a place in a theatre, who should prohibit others from entering, treating that as one's own which was designed for the common use of all... If each one would take that which is sufficient for one's needs, leaving what is in excess to those in distress, no one would be rich, no one poor. Did you not come naked from the womb? Will you not return naked into the earth?<sup>14</sup>

Jesus pointed to Old Testament teachings regarding land ethics. According to some contemporary theologians, one of the tasks of the mission of Jesus was to restore the original intent of Jubilee. In Luke 4:18, by way of Isaiah 61:1-3): "He has anointed me to preach good news to the poor, to proclaim release of captives. To set at liberty those who are oppressed, to proclaim the acceptable year of the Lord."

As theologian Walter Brueggeman explains in "Land: The Foundation of Humanness"<sup>15</sup> the "acceptable year" is the year of the Jubilee when the land was to be returned to the original holders. The "release of captives" is the release of debt slaves who had lost their land because they could not pay the mortgage. A crucial aspect of Jesus' mission was the reassertion of the land rights of the poor and displaced.

The early Christian land ethic echoed Old Testament teachings concerning land rights. Hear these voices anew:

The land must not be sold beyond reclaim, for the land is Mine; you are but strangers resident with me. - Lev. 25:23

The profit of the earth is for all. - Eccles. 5:9

Woe unto them that join house to house, that lay field to field, till there be no place. - Isaiah 5:8

Restore, I pray you, to them even this day, their lands, their vineyards, their olive yards, and their houses. - Nehemiah 5:11

During the 15th century and several centuries thereafter, the "commons" (land that had always been available for free use by the community) were enclosed by the wealthy or powerful for private use only. This accelerated the rise of the market economy, for without land, peasants had to survive by their wits and their abilities to manufacture. The emerging economy that used money as a primary medium of exchange opened up an opportunity for the landless to acquire land - they could now buy it. But working to accumulate enough wealth to buy land, instead of asserting an inherent human birth-right to the earth, is akin to a slave's saving enough money, by cleverness, skill and extra hard effort, to buy him or herself into freedom.

We must not forget that mainstream institutionalized Christianity once promulgated the doctrine that the right of some humans to hold other humans as slaves was encoded in the Bible. After much struggle and centuries of suffering, it gradually dawned on the majority of people that slavery was unjust and it was abolished. A similar awakening regarding the land problem lies in our future, hopefully the near future. Several great sages of our own recent history held the vision for a just land ethic. Their statements could be useful to us today:

**Thomas Jefferson** - The earth is given as a common stock for men to labor and live on.

**Abraham Lincoln** - The land, the earth God gave to man for his home, sustenance, and support, should never be the possession of any man, corporation, society, or unfriendly government, any more than the air or water, if as much. An individual, company, or enterprise should hold no more than is required for their home and sustenance. All that is not used should be held for the free use of every family to make homesteads, and to hold them as long as they are so occupied.

**Henry George** - Our primary social adjustment is a denial of justice. In allowing one man to own the land on which and from which other men must live, we have made them his bondsmen in a degree which increases as material progress goes on. This is the subtle alchemy that in ways they do not realize is extracting from the masses in every civilized country the fruits of their weary toil; that is instituting a harder and more hopeless slavery in place of that which has been destroyed; that is bringing political despotism out of political freedom, and must soon transmute democratic institutions into anarchy.

**Charles Avila**, again in *Ownership: Early Christian Teachings*, wrote:

On first reading Henry George (*Progress and Poverty*) almost twenty years ago when doing research for this volume, I was particularly struck by the similarity of his arguments, and even analogies, to those of the fourth century Christian philosophers on the topic of land ownership.<sup>16</sup>

Henry George, the great American political economist and land rights philosopher (1839-1897), eloquently confronted the enigma of the wealth gap in his masterwork *Progress and Poverty* and set forth both an ethical and practical method for holding and sharing the land as a sacred trust for all. He made a clear distinction between property in land and property in wealth produced by labor on land. He said that private property in human made wealth belonged to the producer and that the state should not tax wealth produced by human labor. George said:

To abolish these taxes would be to lift the whole enormous weight of taxation from productive industry. The needle of the seamstress and the great manufactory;



the carthorse and the locomotive; the fishing boat and the steamship; the farmer's plow and the merchant's stock, would be alike untaxed. All would be free to make or to save, to buy or to sell, unfinned by taxes, un-annoyed by the tax-gatherer. Instead of saying to the producer, as it does now, "The more you add to the general wealth the more shall you be taxed!" the state would say to the producer, "Be as industrious, as thrifty, as enterprising as you choose, you shall have your full reward! You shall not be fined for making two blades of grass grow where one grew before; you shall not be taxed for adding to the aggregate wealth."<sup>17</sup>

In an economic system such as ours that uses money as a medium of exchange, land and resources come to have monetary value. In asserting that the gifts of nature are common property and should be equitably shared by all, George saw that in a just society the ownership of land and natural resources would be conditional upon the cash payment to all of a fairly assessed tax, or land rent, for the exclusive right to God's gifts. Thus the collection of land rent for the community as a whole would replace the taxation of productive endeavors. Those with more and/or better-located land would pay more into the common fund, while those with little or no land would pay much less or nothing at all.

As George explained it:

...the value of land is at the beginning of society nothing, but as society develops by the increase of population and the advance of the arts, it becomes greater and greater. In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In the better-developed countries it is much more than sufficient. Hence it will not be enough merely to place all taxes upon the value of land. It will be necessary, where rent exceeds the present governmental revenues, commensurately to increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances.<sup>18</sup>

The author of *Common Sense*, Tom Paine, was onto the same idea when he said:

Men did not make the earth...It is the value of the improvement only, and not the earth itself, that is individual property...Every proprietor owes to the community a ground rent for the land which he holds.

Enormous sums are currently accruing as unearned income to a relatively few individuals, families and corporations who are holding large amounts of land, very valuable and well-located land, and natural resources as their own exclusive private property. These enormous land values and resource rents are also accruing as unearned income to banks holding mortgages based on exploitative compound interest rates. It may be of interest to note that the word "mortgage" means "dead hand." Truly, when one must work so many years of one's life to pay off a mortgage, one productive hand is as if dead in terms of producing for oneself, as the

labor of that hand pays the mortgage. For the 33% of citizens (40 million people) in the United States who are renters, there is not even equity ownership to look forward to after a life of labor. For the more than three million homeless people in American and the multi-millions who are homeless around the world, what Henry George said in 1879 holds true today and is worth repeating:

Our primary social adjustment is a denial of justice. In allowing one man to own the land on which and from which other men must live, we have made them his bondsmen in a degree which increases as material progress goes on.<sup>19</sup>

Not only is the land ethic of Old and New Testament prophets and Henry George virtually the same, the policy approach of "resource rent for revenue" also known as "land or site value taxation" has its corollary in the approach called for by the ancient rabbis in their discussions about the finer and little known details of Jubilee.

Talmudic rabbinical discussions considered how fairly to partition the land of Canaan among the tribes under Joshua. Those with poorer land were to be given more acreage and those with more fertile land would be given less. As for land disadvantageously situated, the adjustment was to be made by money; that is to say, those holding land nearer the city (Jerusalem) should pay into the common treasury the estimated excess of value pertaining to it by reason of its superior situation, while those holding land of less value, by reason of its distance from the city, would receive from the treasury a money compensation. Upon the more valuable holdings was to be imposed a tax, or lease fee, the measure of which was the excess of their respective values over a given standard, and the fund thus created was to be paid out in due proportions to those whose holdings were in less favorable locations. In this, then we see affirmed the doctrine that natural advantages are common property, and may not be diverted to private gain.<sup>20</sup>

Roman law undermined the Christian land justice teachings and the early Christians were attacked and persecuted. Similarly, there was a great movement to discredit the teachings of Henry George. Pope Leo XIII issued the *Rerum Novarum* Encyclical in 1891 that propounded an exclusivist right to private property in land, exhorting those without land to work harder, longer and smarter to save money from which to buy land.<sup>21</sup>

Money from vested interests poured into the University of Chicago, Columbia University and other emerging schools of economics to thwart and obscure the understanding and the solution to the land problem and the wealth divide. Academics were paid to undermine Georgist economics that had followed in the classical tradition, and to instead develop an approach to economics that minimized the contribution of nature's gifts to the production process. Land, the term in classical economics that denotes all gifts of nature, was made a secondary factor, a mere subset of capital. The two major factors became Labor and Capital. The intel-

lectual crime of the century - the neoliberal economics paradigm - has predominated in the field of economics ever since.<sup>22</sup>

Yet the truth of George's *koinonia* based economics endured through the work of several schools, publishers and research organizations established during the first half of the 20th century, both in the US and worldwide. In 1949 this movement issued An International Declaration on Individual and Common Rights to Land.<sup>23</sup> The policy approach urged by Henry George and Thomas Paine as a way to assure human rights to the earth's resources was successfully implemented in part and to varying degrees in several places throughout the world.

As a result of decades of steady education and promulgation, there are now 18 municipalities in Pennsylvania that have adopted a so-called split-rate property tax which shifts taxes away from buildings and onto land according to site value. This approach is based on the understanding that the property tax is actually two types of taxes - one upon building values, and the other upon land values. This distinction is an important one, as these two types of taxes have significantly different impacts on incentive motives and development results. Decreasing the tax on buildings gives property owners the incentive to build and to maintain and improve their properties. As the levy on land values is increased, land speculation and poor land utilization, an example being shum buildings and boarded up buildings, are discouraged. The signal thus sent to property holders is to either improve their properties or sell them to someone who can do so. Either way, labor and capital gain access to land to improve and augment the building stock. The tax incentives are harnessed correctly to encourage effort directed to the provisioning of housing and other basic human needs.<sup>24</sup>

Shifting the tax burden in this way discourages land hoarding and encourages good land utilization. It promotes a more efficient use of urban infrastructure (such as roads and sewers), decreases the pressure towards urban sprawl (as there is significant infill development), and assures a broader spread of the benefits of development to the community as a whole.

Researchers have carefully recorded the number of building permits issued in the three-year period before and after the split-rate was put in place. In every instance, the number of building permits increased significantly after the implementation of this reform. As the city improves, without the need for subsidies, the land values gradually increase, thus providing the city with an increasing source of revenue for public services. With this system, land values maintain a natural correlation to the overall health of the city. Land values do not peak and spike as they do under conditions which promote land speculation and profiteering. As development stabilizes, land values also stabilize. Thus it is possible to have a self-financing city with citizens reaping the full rewards of their labor and creativity.

The experience with this form of taxation in the 18 municipalities of Pennsylvania points towards the possibilities of a self-renewing city. But until we greatly

reduce or eliminate the burden of federal income and payroll taxes and the billions of dollars of wasteful and inequitable corporate subsidies, we will only have a partial realization of the promise. Nonetheless, there is much we can learn from the split-rate tax cities in Pennsylvania, upon several of which we shall now focus.

Harrisburg, the capital of Pennsylvania, provides one of the best examples of the benefits of shifting taxes away from labor and productive capital and onto land according to site values. In 1981 Harrisburg was listed as the second-most distressed city in the nation under criteria used by the federal government. A review of the gains made in effective economic development activities since then has produced significant results, and the sharp reversal of nearly three decades of previous serious decline. Beginning with the implementation of the split-rate property tax and gradually increasing the tax on land while decreasing the tax on buildings, Harrisburg has sustained an economic resurgence that has garnered national acclaim. It twice won the top United States community honor as All-American City, along with the top state recognition from the state Chamber of Business and Industry as Outstanding Community in Pennsylvania, all because of Harrisburg's development initiatives and progress.

As of 2001, the value of taxable real estate was over \$2.2 Billion, versus \$212 Million in 1982. Over 26,000 building permits were issued from 1982 representing over \$2.65 Billion in new investment. Even adjusted for inflation, this is more than for any period since Harrisburg became a municipality in the year 1791, with most of this investment undertaken since 1990. There are over 5,500 businesses on the city tax rolls in 2001 compared to 1,908 in 1981. The numbers of vacant structures, over 5,500 in 1982, have been reduced by 85% to less than 400. The crime rate has dropped 53% and fire rate has been cut by 72%.<sup>25</sup>

Harrisburg Mayor Stephen Reed has written several letters to officials of other cities telling them that the split-rate tax has been a key to the remarkable renewal of his city.

The citizens of Allentown, the third largest city in Pennsylvania with a population of 105,000, voted for the land value tax system in 1994 and it was instituted in 1996. The difference between the land and building rates was expanded in each of the following four years. Michael Rosenfeld, the executive director of that city's Redevelopment Authority, says that the benefits of this tax approach are evident. The value of both new commercial construction and of new residential construction increased substantially after the shift to land value taxation. Nearly three out of every four properties in Allentown saw some sort of tax cut. Today, many of those properties have new or better buildings on them, stabilizing the tax base to the point where there has been no need for a tax increase in five years. The number of building permits in Allentown has increased by 32% compared to the three-year period before the land value tax reform.

Allentown and Bethlehem are both in eastern Pennsylvania and are roughly comparable as to size and economy. In that Allentown adopted this tax approach and Bethlehem did not, there was an opportunity to compare the two. Allentown's new construction and renovation grew by 82% in dollar value in the three years after it adopted two-rate LVT as compared to the prior three years. Its new construction and renovation grew 54% faster than Bethlehem's new construction and renovation despite the infusion of much federal grant money into Bethlehem (but not into Allentown) during 1997-99.<sup>26</sup>

The small cities of Washington and Monessen, both in southwestern Pennsylvania, are roughly comparable as to size and economy. Monessen has the common form of property tax which taxes building value significantly more than land value. After Washington adopted the split-rate tax in 1985, it saw its new construction and renovation increase by 33% in dollar value following this tax reform as compared to the prior three years. During the same time period, Monessen's new construction and renovation decreased by 26%.<sup>27</sup>

Studies comparing Oil City, Pennsylvania, which shifted its tax base starting in January 1989, with Franklin, a comparable neighbor municipality, found that Oil City experienced a 58.2% increase in new construction and renovation in the three years after it adopted a two-rate property tax as compared to the three years before, whereas Franklin experienced a 12.2% decline during the same time periods.<sup>28</sup>

In 1995, Professor Nicholas Tideman, the Chairman of the Economics Dept. at Virginia Tech University and his then-graduate student, Florenz Plassman, now a professor at the University of Binghamton, N.Y. completed a highly technical, peer reviewed study of land value taxation in Pennsylvania. To quote from the conclusion of their study: "The results say that for all four categories of construction, an increase in the effective tax differential is associated with an increase in the average value per permit. In the case of residential housing, a 1% increase in the effective tax differential is associated with a 12% increase in the average value per unit. From the perspective of economic theory, it is not at all surprising that when taxes are taken off of buildings, people build more valuable buildings. But it is nice to see the numbers."<sup>29</sup>

Dr. Steven B. Cord has done an exhaustive review of 237 studies of land value taxation from all over the world. In every instance there was an increase in construction and renovation after the policy was enacted, indicating that there were previously unmet needs for housing and other living and working space.<sup>30</sup>

A meticulous study conducted by Dr. Mason Gaffney entitled "Rising Inequality and Falling Property Tax Rates"<sup>31</sup> refutes the common belief that property tax relief would be good for farmers. His research showed that property tax relief for agricultural land increases the likelihood that it will attract those looking primarily for tax shelters and speculative investments. Such nonproductive incentives ulti-

mately inflate land values overall, making it increasingly difficult for working farmers to access and maintain acreage for viable agricultural enterprise.

The high price of land means that the modern food and agriculture system provides no options for those who cannot find a paying job other than subsistence on charity or government supports. Those with minimum wage incomes are finding it increasingly difficult to afford decent housing. These social problems and pressures are bound to increase with the cut-off of welfare and other government subsidies to the poor.

Intensively managed small farms and well-designed ecological villages could produce a diverse range of food, fiber, livestock, and energy products for local markets. Bio-intensive farming methods depending on renewable energy sources can yield both social and environmental stability. The establishment of labor and bio-intensive small farming operations can be greatly furthered by land value tax policies that remove taxes on labor and productive capital while promoting affordable land access. A shift to land value taxation will likely have the following benefits in the rural area:

- Discourage speculation in land
- Reduce the price of land to equate with its value for production
- Enable new entrants to more easily obtain land
- Limit farm sizes to those of the most productive units
- Enable the reduction of taxation on earnings and capital
- Reduce interest rates as land became more affordable
- Prevent rural depopulation
- Encourage owner-occupation rather than absentee ownership
- Promote more responsible use of land
- Promote a rural renaissance.<sup>32</sup>

The success of the Wright Act is an example of how properly implemented land based taxes can promote a rural renaissance. This legislation, passed by California in 1887, allowed communities to vote to create irrigation districts for building dams and canals and to pay for them by taxing the increase in land value. Once irrigated, land was too valuable for grazing and too costly for hoarding. So cattlemen sold fields to farmers at prices the farmers could afford. In ten years the Central Valley was transformed into over 7,000 independent farms. Over the next few decades, vast tracts of treeless, semi-arid plains became the "bread basket of America" and one of the most productive areas on earth. It is a prime example of how land value taxation can promote and enhance the viability of both an efficient and equitable agricultural base - without government subsidy.

Private banking institutions eventually undermined this equitable and successful public finance approach. Now taxpayers nationwide subsidize the irrigation needs of agribusiness. Self-financing development projects reduce the necessity for debt finance; so do not contribute to the profits of rent-seeking institutions. These exploitative institutions, which concentrate wealth in the hands of the few, will continue to sabotage this policy approach until sufficient numbers of people have a better understanding of the land ethic of *koinonia* and this fundamental approach to securing the human right to the earth.

One of the best examples of the beneficial results of an ethic of *koinonia* in natural resources is to be found in the state of Alaska where an "earth rights" constitution gives ownership of the oil and other natural resources of the state to the citizens of Alaska on an equal basis. The Alaska Permanent Fund invests the state's oil resource rents, the interest from which funds cash dividend payments directly to all adults and children resident in the state at least one year.

The Fund ended fiscal year 2004 on June 30 with a 14.1 percent return and a total value of more than \$27.4 billion, according to currently available Alaska Permanent Fund Corporation figures. More than \$24,000 per person has been distributed to citizens of Alaska since 1982. Note that Alaska is the only state in the US wherein the wealth gap has decreased during recent decades.<sup>33</sup>

The Alaska Permanent Fund is an innovative and important model of resource rents for citizen dividends, but with worldwide oil production nearing peak, it is the opinion of this writer that oil resource rents had best be directed to the development of renewable energy technologies. The electromagnetic spectrum, ge-orbital zones, and surface land values would be a more appropriate source of rent distribution as citizen dividend payments.

Had the land problem been addressed in the south after the Civil War, a more equitable distribution of wealth and overall prosperity would have been the likely result. It can be instructive to review this earlier effort to secure land rights in America.

On March 3, 1865, just weeks before the end of the Civil War and almost a year prior to the ratification of the 13th Amendment, the Freedmen's Bureau was created by Congress. According to Section 4 of the First Freedmen's Bureau Act, this agency shall have authority to set apart for use of loyal refugees and freedmen such tracts of land within the insurrectionary states as shall have been abandoned or to which the United States shall have acquired title by confiscation or sale, or otherwise; and to every male citizen, whether refugee or freedman, as aforesaid there shall be assigned not more than forty acres of such land.

Introduced into Congress by Thaddeus Stevens this portion of the Freedmen's Bureau Act was defeated by Congress on February 5, 1866 by a vote of 126 to 36.<sup>34</sup> Lands that had been distributed to freedmen were reclaimed and returned to the previous owners. There was to be no land reform for the South. Northern indus-

trialists feared that giving land to freedmen and poor whites in the South could have led to similar demands for land by the people in the North, which, if implemented, would assuredly have greatly limited the supply of cheap labor available for factory work in the industrial North.

Abraham Lincoln sounded a warning when he said in 1865:

Corporations have been enthroned... An era of corruption in high places will follow and the money power will endeavor to prolong its reign by working on the prejudices of the people...until wealth is aggregated in a few hands...and the Republic is destroyed.

We live in yet another age of rapid privatization of the remaining commons. The airwaves, also known as the electromagnetic or radio-frequency spectrum, the most valuable resource of the information economy, are being given away to huge media corporations. Economists estimate that in the United States alone the commercial value of access to it could be more than \$750 billion. There is a rush to patent plant material around the world. The attempt to patent sections of the DNA code itself is but a modern expression of previous centuries of enclosures.

The band-aid safety nets of the 1940s and 50s are unraveling and a new Gilded Age is upon us. The wealth gap is growing. Wages for nearly everyone have stagnated or are declining. Ever escalating land values push housing prices beyond the capacity of millions to secure adequate shelter. Worldwide, a billion people live in degrading destitution lacking basic needs. Local conflicts and global wars are waged for control of land and natural resources. Tax funds that could build a world that works for everyone instead are being directed to biochemical weapons research, building space laser weaponry, and neo-colonial warfare.

It has been said that the only two certainties in life are death and taxes and that the power to tax is the power to create or destroy. The story of the birth of Jesus is on one level the story of a family on a long and onerous journey to pay taxes imposed by the Romans upon the people of the land.

We urgently need to establish land tenure and tax policies based on the deepest wisdom of the Judeo-Christian tradition - a truth based on the perception of the unity of life, that God creates all, and on the realization of the brotherhood and sisterhood of the one humanity. The privilege of holding large amounts of land or highly valuable land as individual private property needs to be a conditional, not an absolute right. For justice to prevail, the right to exclusive access to land must be granted only upon payment of full and fairly assessed land value taxes and resource rents.

We have at hand a powerful solution and a way to secure a world of peace and plenty. We need to constitute democratic governance on the firm foundation of equal rights to the land and resources of the earth, an "earth rights democracy" which removes the burden of taxes from the backs of those who labor and instead



directs government to collect the value of our common wealth for the benefit of all. A morally correct form of taxation may not lead to everlasting life, but it WILL promote and sustain the conditions for lives worth living on planet earth.

#### ADDENDUM

**Episcopalian:** People without land or without any control over the value of land lack security in a major dimension of their lives. - National Bishops General Convention, Action Proposal for Economic Justice, 2/22/88

A great deal of what is amiss alike in rural and in urban areas could be remedied by the taxation of the value of sites as distinct from the buildings erected upon them. - William Temple, a former Archbishop of Canterbury, in *Christianity and Social Order*

Equity insists that we cease levying taxes on the fruits of human toil, and make the monopoly value of land be the exclusive basis of taxation. - Episcopal Bishop C.D. Williams

**Methodist:** All creation is the Lord's and we are responsible for the ways in which we use and abuse it. We believe that Christian faith denies to any person or group of persons exclusive and arbitrary control of any other part of the created universe.

**Catholic:** The land is a gift of the Creator to all men and therefore its richness cannot be distributed among a limited number of people while others are excluded from its benefits. - Pope John Paul II, "Bahia Blanca", Brazil, 1986

God intended the earth and all things in it for the use of all peoples, in such a way that the goods of creation should abound equitably in the hands of all, according to the dictate of justice, which is inseparable from charity. - *Pastoral Constitution on the Church in the Modern World*, Vatican II

The rights of land ownership and of free bargaining in land are subordinated to the fundamental right of man to obtain the necessities of life. In the force of the fundamental claim of the Commonwealth there is no unconditional right of land ownership. - Pope Paul VI, "Populorum Progressio", 1967

Every man, as a living being gifted with reason, has in fact from nature the fundamental right to make use of the material goods of the earth. - Pope Pius XII

**Relevant Quotes:**

The problems that exist in the world today cannot be solved by the level of thinking that created them. - Albert Einstein

The minority, the ruling class at present, has the schools and press, usually the Church as well, under its thumb. This enables it to organize and sway the emotions of the masses, and make its tool of them. - Albert Einstein

What the public wants is called 'politically unrealistic.' Translated into English, that means power and privilege are opposed to it. - Noam Chomsky

The greatest triumphs of propaganda have been accomplished, not by doing something, but by refraining from doing. Great is truth, but still greater, from a practical point of view, is silence about truth. - Aldous Huxley

True compassion is more than flinging a coin to a beggar; it understands that an edifice which produces beggars needs restructuring. A true revolution of values will soon look uneasily on the glaring contrast of poverty and wealth. - Martin Luther King

An intelligent approach to the problems of poverty and racism will cause us to see the words of the Psalmist - "The earth is the Lord's and the fullness thereof" - are still a judgment upon our use and abuse of the wealth and resources with which we have been endowed. - Martin Luther King

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- <sup>1</sup> Implementation of the United Nations Millennium Declaration, Report of the Secretary General, August 27, 2004.
- <sup>2</sup> U.S. Conference of Mayors - Sodexo Hunger and Homelessness Survey 2003 *Hunger, Homelessness Still On the Rise in Major U.S. Cities; 25-City Survey Finds Unemployment, Lack of Affordable Housing Account for Increased Needs*, December 18, 2003
- <sup>3</sup> National Student Campaign Against Hunger and Homelessness <http://www.nscanh.org/hunger.aspx?id=8802>
- <sup>4</sup> National Low Income Housing Coalition, 2001
- <sup>5</sup> Why Are People Homeless? NCH Fact Sheet #1 Published by the National Coalition for the Homeless, September 2002, <http://www.nationalhomeless.org/causes.html>
- <sup>6</sup> Household Food Security in the United States, 2002 Economic Research Service, USDA <http://www.ers.usda.gov/publications/fannr35/>
- <sup>7</sup> Shawn Tully, "Is the Housing Boom Over?" *Fortune*, September 27, 2004
- <sup>8</sup> Peter Meyer, "Land Rush - A Survey of America's Land - Who Owns It, Who Controls It, How much is Left" *Harpers*, January 1979
- <sup>9</sup> For references and further details on land ownership statistics: <http://www.earthrights.net/geodata.html>
- <sup>10</sup> The Quotes Center at <http://teachers.sduhsd.k12.ca.us/gstimson/quotes.htm>
- <sup>11</sup> Charles Avila, *Ownership: Early Christian Teachings*, Orbis Books, Maryknoll, 1983, p.8
- <sup>12</sup> *Ibid.*
- <sup>13</sup> *Ibid.* p. 9
- <sup>14</sup> *Ibid.*, pp. 134-135.
- <sup>15</sup> Walter Brueggeman, "Land: The Foundation of Humanness" *Whole Earth Papers* #17, Global Education Associates
- <sup>16</sup> Charles Avila, *op.cit.*, p. 156

- <sup>17</sup> Henry George, *Progress and Poverty*, Book IX, Chapter 1 in paragraph IXI.5 (Available from Robert Schalkenbach Foundation, <http://www.schalkenbach.org/>)
- <sup>18</sup> *Ibid*, Book VIII, Chapter 2 in paragraph VIII.II.18
- <sup>19</sup> Henry George, "Ode to Liberty" Delivered in San Francisco by Henry George as orator of the day July 4, 1877
- <sup>20</sup> The Gemara, Baba Bathra, (122, A ) [http://www.come-and-hear.com/bababathra/bababathra\\_122.html](http://www.come-and-hear.com/bababathra/bababathra_122.html) See also an essay by Solomon Solis Cohen, "The Land Question in the Talmud"
- <sup>21</sup> Mason Gaffney, "Henry George, Edward McGlynn & Pope Leo XIII," NY: Robert Schalkenbach Fdn., 2000
- <sup>22</sup> Mason Gaffney and Fred Hamson, *The Corruption of Economics*, Shephard-Watwyn Ltd, London, 1994
- <sup>23</sup> Go to: <http://www.earthrights.net/docs/declaration.html>
- <sup>24</sup> Alanna Hartzok, "Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax" *The American Journal of Economics and Sociology*, April 1997 <http://www.earthrights.net/docs/success.html>
- <sup>25</sup> "Harrisburg, PA: An Economic Profile 2001", originally produced and published by Economic Opportunity, Inc.
- <sup>26</sup> These figures are based on a study of building-permit data on file in the Allentown city hall done by Benjamin Howells (a science researcher and former Allentown councilman), William Kells (a science-oriented businessman), and Steven Cord (professor-emeritus) in 1999. The study was summarized in *Incentive Taxation* July 2000, p 1
- <sup>27</sup> A report of this study, based on building-permit data on file in the Washington and Monessen city halls, can be found in *Incentive Taxation*, October 1988
- <sup>28</sup> Building-permit study of these cities reported in *Incentive Taxation*, Nov. 1994
- <sup>29</sup> Tideman & Plassman, A Markov Chain Monte Carlo Analysis of the Effect of Two-Rate Property Taxes on Construction. See the peer-reviewed *Journal of Urban Economics*, pp. 216-47, for the full study.
- <sup>30</sup> For details, go to <http://www.economicboom.info/>
- <sup>31</sup> Mason Gaffney, "Rising Inequality and Falling Property Tax Rates," published in *Land Ownership and Taxation in American Agriculture*, edited by Gene Wunderlich, San Francisco: Westview Press, 1992, p 119
- <sup>32</sup> Alanna Hartzok, "Pennsylvania Farmers and the Split Rate Tax " published in *Land Value Taxation: The Equitable and Efficient Source of Public Finance*, an anthology edited by Kenneth C. Wenzel, published by M.E. Sharpe, Inc., New York, 1999 <http://www.earthrights.net/docs/pa-farmers.html>
- <sup>33</sup> URL of the Alaska Permanent Fund: <http://www.apfc.org/>
- <sup>34</sup> Gerene L. Freeman, "What About My 40 Acres & A Mile?" from *Emerging Minds Archives* <http://www.emergingminds.org/nov03/diduknow.html>



A lily in the water garden at Aradhana,  
the East Coast, USA base of Earth Rights Institute.

Odi, a village on the Nun River in Bayelsa State in the Niger Delta area of Nigeria, had a pre-1999 population of 60,000 people. It had the largest number of most educated people in the region. Unfortunately, in late 1999, a massive brigade of the Nigerian army invaded this historic town with a mandate to arrest local bandits for a national crime. Tragically, Odi was completely wiped out in less than a day save three buildings. Today, Odi remains underdeveloped, impoverished, highly and grossly unplanned. Earth Rights Institute, with partners Gordon Abiama and Francis Udisi, has several projects underway in this area.



Marshall Kunoun, a citizen of Odi, and Francis Udisi, Earth Rights Institute's Humanitarian Aid Program Coordinator, travel by boat down the creeks of the Niger Delta for peace talks in June of 2007. This area of coastal southern Nigeria frequently experiences resource conflicts due to the related issues of oil extraction, environmental degradation, and impoverishment of the local population.