

## First Principles

The Libertarian Party bills itself, fairly accurately, as the Party of Principle. In other words, libertarianism is a political and economic philosophy that tries to rely completely upon principle to guide its policy prescriptions, and any reasonable person can, by applying the basic principles in a consistent manner, logically determine what the libertarian position will be on any issue. Therefore, I will begin by stating three intimately related libertarian principles upon which all the arguments in this essay ultimately rest. The definitions are elaborated in ways that should illustrate my geo-libertarian<sup>(3)</sup> perspective. The run-of-the-mill libertarian formulations are given first, and geo-libertarian elaborations follow in italics.

Principle 1 is the *right to life*<sup>(4)</sup>. This is the same as saying no one has a right to take the life of someone else (except in self-defense). *Since we are land animals, the right to life can have no meaning without a right to land on which to live and from which to make a living. (Note well: this geolibertarian corollary is **not** equivalent to socialistic claims that everyone has a right to food, clothing, shelter, education, health care, etc. The latter are man-made goods, and not gifts of Nature.)*

Principle 2 is *equal freedom for all*. This is the same as saying we all have the right to exercise our faculties to move around and do things, so long as we don't interfere with anyone else's rights. *From this can be derived a corollary right, the right to equal access to the earth.* (Obviously, having a "right" to move around means nothing if one has no right to space in which to move. A more eloquent "derivation" of this, by the 19<sup>th</sup> century English philosopher, Herbert Spencer, is provided at the beginning of Chapter 3.)

Principle 3 is that of *self-ownership*. This is a renunciation of slavery in any form and in any degree: you own yourself; you are your own master. It naturally follows that you own not only your own body, but all the fruits of your own labor, both mental and physical.

This last principle raises the question of what gives one a right to property in things outside oneself — the fruits of one’s labor. The answer can be found in Principle 2 — equal freedom for all — and its corollary right to access to the earth. The latter isn’t just so one can have space in which to exist, but so that one can *use* the earth to meet one’s needs. This involves transforming some of the stuff of the earth into one’s personal property. *And so long as everyone has equal access to the earth and there’s enough raw material for everyone, no one can legitimately complain. Jefferson referred to this as the right to the usufruct of the earth<sup>(5)</sup> — the right both to the use of the earth, and to the fruits of one’s labors thereon.*

The rights of self-ownership and liberty thus lead to what we can call *the principle of labor-based property*. One’s property is an extension of oneself, which one created by exercising one’s faculties. *A geo-libertarian corollary of this principle is that one cannot monopolize that which no one created; one has no right to more than one’s equal share of the earth (though one may rent the privilege), especially those aspects of it that are scarce and/or capable of being monopolized, such as its landed surface. For that would deny others their equal rights to life and the use of the earth.*

These rights to life, liberty, and (labor-created) property, are three basic principles that all libertarians claim to uphold. But, as we shall see, the Libertarian Party position on land violates all three of these principles and/or their corollaries. The reader is advised to keep these principles firmly in mind while considering the arguments presented here, and to try to identify when each is being used, and whether the writers are being consistent in their application. And, of course, please keep them in mind when examining your own thoughts about this issue! Thoughtful readers may already have noticed that the principles are closely related; for example, if one owns one’s own life (Principle 3), then obviously no one else has a right to take it (Principle 1). And one’s right to life (Principle 1) would be meaningless without the freedom to move around and exercise one’s faculties (Principle 2).

## **Principles of the Libertarian Party position on land**

What principles can be said to underlie the Libertarian Party's current "first user" stance on land and other natural resource ownership? It seems to be a simplistic version of Locke's "mixing of one's labor with the soil"; Locke and other classical liberals placed strict limits on such a mechanism of acquiring landed property, limits that the Libertarian Party position totally ignores. By giving unlimited rein to this process of "mixing one's labor" with natural resources to convert them into one's own property, we have violated the principles of equal freedom (to move about and use the earth) and equal right to life (because that also requires access to the earth).

Stripped of the limitations of the Lockean Proviso, the Libertarian Party view amounts to little more than "First come, first served," or "First dibs!" Its only possible moral basis is that the first claimant may have done more work than others, and since individuals must have the right of exclusive access to land if it is to be used at all, all other things being equal, it might as well belong to the first user.

For example, "first come, first served" makes sense when you're waiting in line for something like theater tickets. Those in line first have been waiting longer. Those at the end of the line wait their turn not just out of habit or fear, but because a) there might be enough tickets for everyone in line, and b) even if not, there'll always be a next time, when *they* are the ones at the front of the line, and they'll want others to obey the rules. But who'd consent to such a rule if there were one and only one performance, the ticket sellers allowed those in line first to buy as many seats as they could and make a fortune scalping them, and the show consisted of life itself, a gift of Nature to which everyone ostensibly has an equal right?

## **Rights versus privileges**

Rights are things you shouldn't have to pay for *per se* (paying for their defense is a separate matter). They're things you already possess by your very nature (e.g., life, and the ability to move around and do things), and others merely have to leave you undisturbed — free — in their exercise. Leaving you alone doesn't cost anyone else any more time and energy than your leaving them alone costs you. Privileges, on the other hand, do entail either time and effort on the part of others, or an infringement of their equal rights, and should be paid for, if allowed at all. (The most well-known

category of privilege remaining in our society is the practice of government licensing of certain professions. And while it's safe to say that most of us libertarians would endorse putting an end to all privilege, the unfortunate fact is that few of us realize that our current system of land tenure is rife with it.) We'll visit this distinction between rights and privileges again, briefly, in the sections on Herbert Spencer and John Stuart Mill, but for now, suffice it to say that if equal access to the earth is a right, then no one should have to pay for it.

## **Short primer on land economics**

Land isn't like other forms of property, such as food, clothing, computers, furniture, etc. Economists refer to these latter items as "moveables" — i.e., things that can be transported. For moveables, being predominantly products of labor, basic economics tells us that, overtime, greater demand generally results in increased supply, thus tending to keep prices fairly stable<sup>{6}</sup>. Land, however — especially non-agricultural land — is more of a *place* than it is a thing. It's not man-made, but a gift of Nature whose supply is fixed. And, unlike other of Nature's essential gifts, such as oxygen, land is easily monopolized<sup>{7}</sup> once governments exist: one can simply put up a fence, with a sign that says "Private Property! No Trespassing!" (Without government force to back you up, few would recognize your "right" to prevent them from using land that you weren't using.) For all these reasons, when demand for land goes up, its price not only goes up but generally *stays* up.

Another key thing about land (again, speaking mostly of non-agricultural land, i.e., residential, industrial, and commercial land) is that a large part of its value comes not from what has been done with a particular parcel *per se*, but what has been done with surrounding land. (Economists say that these effects are due to "positive spatial externalities" of improvements made to adjacent or nearby land. Negative externalities include things such as pollution and deteriorating buildings.) This feature of land is captured in that old cliché about the three most important things about any piece of real estate: location, location, and location. Thus, part of the value of a parcel of land — in many cases the major part — is created not by its owner, but by the surrounding community.

The factors that give land its value can be grouped into two broad categories that relate to supply and demand: utility, which leads to demand (especially given that land is an absolute necessity); and scarcity of supply. Utility can be broken down into four components.

1. Natural utility (e.g., arable land for farming; a harbor for a seaport; a scenic hilltop for a home; near a confluence of rivers for a city; or simply space in which to exist)
2. Community-created site utility (via taxpayer-funded, government-initiated improvements or services)
3. Individually-created utility added to the individual's own site (e.g., by the building of a house or business)
4. Individually-created utility added to neighboring sites (e.g., the value of living across the street from a well-kept, beautiful home, or of having a retail business next door to a successful business that draws lots of foot traffic)

Utility in and of itself doesn't confer "value" in an economic sense, because for something to have value means that someone is willing to pay for it. Thus, scarcity is required. For example, regarding natural utility, if there were plenty of unclaimed land of equal utility available, people would simply take that land for free. But free land is not only scarce these days, it is non-existent.

The scarcity of land has two components: real and artificial. Real scarcity arises from people actually using the various types of land. Artificial scarcity arises from our treatment of land as individual rather than common property, as it leads to speculation, i.e., people holding land out of productive use, denying others its use<sup>{8}</sup>, in the knowledge that in the future someone will likely pay them a lot of money simply to get out of the way. The market in land partly resembles that of "collectibles" such as old Barbie dolls, comic books, baseball cards, etc., in that their supply is strictly limited. Part of the sale price of any of these items consists of what is known as the "speculative premium," the amount of money buyers and sellers expect the price of the collectible to rise.

Utility created by people (numbers 2,3, and 4 above), in contrast to natural utility, is almost *always* in short supply (or, at least, its supply runs shorter

than our desires), is thus always of value, and is properly owned by its creators. If we lived in a Garden of Eden, where a Creator supplied us with all the material goods we could imagine, there'd be no scarcity of anything, and no need to produce or trade anything. The word "economy" would not exist. But the real world is one where, in order to survive, we must expend mental and physical energy shaping Nature to our own ends, and where, ideally, the division of labor and the voluntary exchange of goods and services (i.e., the free market) reign supreme. Scarcity is the anvil on which the hammer of demand (driven by our instinct to survive and procreate) forges value from utility.

Thus, as with other things, the value of land is determined by the dynamics of supply and demand. For example, the supply of harbor-type land is extremely limited, and its utility is high, so that type of land sells for quite a lot. But the most expensive land these days tends to derive the bulk of its value not from such natural utility, but rather from 2 and 4 above, i.e., its proximity to goods and services, such as public transportation, grocery stores, businesses, parks, etc. An acre of well-situated vacant land in downtown New York City or Chicago can easily sell for tens of millions of dollars, many orders of magnitude more than it would sell for if there were no city around it.

By definition, the values derived from 1 through 4 comprise the sale price of the land, along with an adjustment for expectations about future development (the speculative premium). It's not difficult to separate out the values due to 1, 2, and 3. Number 4 is a bit harder, but is also manageable. The mechanics of how this is done will be discussed in a later section ("How would land values be assessed?"). For now, I'll just deal with the moral issue, and assert that the value of 1 properly belongs equally to all citizens, because we all have an equal right to life, and thus to access to the earth, or its equivalent, its natural value. The value of 2 properly belongs to the government entities (composed of individual citizens, i.e., taxpayers) that created it. To the extent that government is wise about its actions, it'll be able to pay for itself out of this fund and maybe have some left over. (Such a surplus could be distributed equally to all citizens, like a "profit-sharing plan," and/or used to provide bonuses to government officials who manage well, similar to the incentive clauses found in the contracts of corporate executives and major league ballplayers.) And, if government

doesn't govern well, it'll be punished with lower income. (Some communities might opt for "reverse incentive clauses," and make their officials personally liable for any deficits their policies create, which would encourage caution in decision-making.) The value derived from 3 and 4 belongs to the individual land users who created it: the value of 3 goes to its owner as either the sale or rental price of his land/building, and the value of 4 should be returned to its owners as land value rebates.

To summarize, the portion of the sale or rental price of land that derives from the gifts of Nature should be distributed equally to all citizens as direct (monthly or annual) payments. That portion derived from taxpayer-funded government services should go to the level of government that created it, and would provide continued funding of those valid government functions that all libertarians can agree upon (e.g., street maintenance, police protection, a judicial system, national defense, etc.). On the other hand, the value of all individually-created land utility belongs exclusively to the owner/developer. There should be no tax levied on buildings or other improvements. That type of taxation unquestionably is theft—confiscation of the fruits of labor. And, individuals should be compensated with a "land value rebate" for value they've added to the community's land. A 100% "tax" on land value, if it is distributed to its rightful owners, is not theft, as many libertarians reflexively claim, but its prevention.

Currently, individual landowners unfairly receive the entire value from all four types of utility in land, which has many harmful consequences aside from the actual theft (these will be discussed later, in "The argument from pragmatism"). And the theft itself is bad enough—with 1, landowners have confiscated Nature; with 2, they've confiscated any value government creates; and with 4, that subgroup of landowners who don't contribute much to site value has stolen part of the fruits of the labor of that other subgroup of landowners who actually *do* put their land to productive use.

If you're with me so far, you're well on the road to becoming a geolibertarian. This form of institutionalized robbery is as hard for most libertarians to see as it is for most non-libertarians to see that income taxes constitute robbery. Just as libertarians see legalized plunder in a tax system which average citizens see as basically fair, geo-libertarians see legalized plunder in a system of land tenure that libertarians see as basically fair.

**What a land value tax (LVT) is and is not** By "LVT" I mean community collection of the market-driven, yearly rental value associated with a site by virtue of both its intrinsic qualities and its location with respect to other things. LVT is *not* just an arbitrary percentage of the value of land, subject to the whims of municipal officials. Neither is LVT just another way of raising revenue. Because it eliminates any incentive to monopolize natural resources, geo-libertarians view it as a necessary element of any foundation of true economic justice.

*Why a tax on land value cannot be passed on to renters or buyers* People often think a tax on land values will simply result in landlords charging higher rents, or land sellers holding out for higher sale prices. This cannot occur, however, because neither supply nor demand are changed by the tax, so the price would remain the same, and the entire tax would be borne by the landowners (see the end of the section "Tax cuts won't help...", on p.91, to see how Adam Smith made this point). A more contemporary economist, Paul A. Samuelson, made the same point in his famous textbook, **Economics** (8<sup>th</sup> edition, 1970), in a section titled "*Henry George's singletax movement: taxation of land 'surplus* "Pure land rent is in the nature of a 'surplus' which can be taxed heavily **without distorting production incentives or efficiency.**" [emphasis his] ... "A tax on fixed land leaves rentals paid by users unchanged but reduces rent retained by landowners." (p. 541). In fact, contrary to one's initial intuition, the marketed supply of land would actually increase somewhat, as speculators would bring into production land currently held idle, resulting in more apartments and homes being built, with prices and rents coming down as a result.

## **A capsule economic history of the United States**

Throughout the 1800s, the U.S. generally protected individual rights to freedom of action and personal property. And, as long as the frontier remained, everyone had some degree of free access to Nature (i.e., the frontier partially mitigated the harm of treating land as purely private property). These three previously-discussed principles, of freedom, property, and access to Nature, together can guarantee economic justice and set the stage for prosperity for all. And our standard of living rose dramatically. But with the closing of the frontier, land monopoly reared its ugly head, and many people had no place left to turn for a fair chance at



making a decent living. But, rather than make a fundamental change in the tax structure so as to open up the earth to all people, we began restricting the freedom of action of businessmen (i.e., regulations on business) and weakening the right to private property (by beginning to tax wages, sales, etc.). With the Progressive Movement, we thus attacked the symptoms, leaving unchecked the root cause of most of our socioeconomic ills.