

## Geo-libertarian Proposals for Change

### How would LVT work?

Several points need to be made almost simultaneously, before getting into details. First of all, LVT would be voluntary, because secession from the municipality would be an option. One possibility might be to allow this on an individual basis: by refusing to pay the community ground-rent, one would become an "outlaw," with unprotected land title, and without any of the other excludable<sup>[28]</sup> amenities of the community. Would any sane person choose such an option in a productive society where incomes are high and land value taxes are low? A second possibility would be for people to band together and secede as a group (what Dr. Fred Foldvary calls "geographic secession" as distinct from individual secession), taking over the provision of their own services, and paying back to the larger jurisdiction any excess value it has taken, or continue paying some rent for whatever services it still receives (see the final chapter of Foldvary's **Public Goods and Private Communities** for more on such "exit options"). A third possibility is for people to petition for a recall election of the current administration, and offer up for popular vote a different government or even a different form of government. The idea here is to engineer a means for peaceful revolution and orderly overthrow. Whatever course people decide to take, the main idea behind any secession option is to promote competition for municipal control.

A second point about LVT, and one that is lost on some people initially, is that two identical, adjacent lots, one vacant and one containing a skyscraper, would have the same rent; *there is no penalty for being productive*.

A third point — a reminder from Chapter 2 about what LVT is *not* — is that it's not just an arbitrary percentage of the value of land. It's the market-driven, yearly site rental value.

Most libertarians distrust any and all government entities. For this reason, I and many geo-libertarians favor a Jeffersonian-style municipality-based approach<sup>{29}</sup>, i.e., local control of everything — hierarchical levels of governance, with municipalities dealing with counties, counties dealing with states, and states dealing with the federal government, each with the right of secession, and with individuals having the right to secede from their municipality. Each level would control the funding of the next higher level of government. There'd be competition among municipalities to attract productive people, forcing them to conduct their affairs wisely; there'd be a marketplace of places to live. Yet another advantage of municipal administration is that individuals can exert the most control there; one's neighbors are also one's government officials. Municipalities might even tie their government officials' salaries to their performance, and run government more like a business (including personal financial liability of officials for bad administrative choices).

This structure, together with a wide dissemination of knowledge about assessments and proper assessment techniques, would tend to mitigate any government mismanagement. With only one tax, even if everyone couldn't become an expert, everyone would understand its principles and purpose.

Due to the easy ability to "vote with your feet" in such a system, or the possibility of recall elections and the formation of rival governments, government officials would get immediate feedback on both their assessments and services: vacancies indicate that assessments are too high for the quality of services rendered; increased bidding on land rentals would indicate that assessments are too low.

As to what should be done with the ground-rent collected, the answer is clear: apportion it according to who created it, with Nature-created value going to everyone equally. To the extent that land becomes freely available, there'd be little natural value associated with it<sup>{30}</sup>, and any Citizen's Dividend would tend to come from mineral extraction fees, broadcast spectrum rental fees, pollution privileges, etc. Such fees would be collected and placed in a National Citizen's Trust Fund, for periodic (monthly or yearly) distribution to all citizens. And, as mentioned many times before, value created by various levels of government should go to them, and value created by individuals should go to them in the form of land value rebates.

Just how much land value tax or rebate attaches to each piece of property would be a matter of scientific calculation, not political pull. Such cost-benefit analyses have been performed routinely for years, for example, by shopping mall managers: they determine precisely which businesses bring in the most customers, and which mix of businesses generates the greatest site value (which they then collect as rents from the various retail merchants).

## **Getting from here to there**

So, we want to go from our present system, where most taxes fall on productivity, to one where they fall entirely on rental of land and other natural resources. And, I'm also proposing a radical shift in the power structure, toward what existed under the original Constitution (prior to the 14<sup>th</sup> Amendment), where the federal government did not have direct contact with individual citizens, but only the states.

As a believer in the wisdom of incremental change in large scale social structures, I imagine these things happening in several small steps. The first, and one which has already been taken in many parts of the world, including 17 cities here in Pennsylvania, is a property tax shift, with the tax rate on land going up, and that on buildings going down. Since property taxes are entirely local, this wouldn't involve a shift in the power structure between local, state, and national government. Once implemented, its great success in promoting economic development and more rational and effective land use would enable further tax shifts, as well as shifts in the structure of governance. Thus, the second step could be a gradual shift of all sales taxes onto land values, with cooperation from state government, as sales taxes are one of its primary sources of revenue. A third step could be to shift income taxes onto land, which would require both state and national cooperation.

As mentioned earlier, Steven Cord's calculations, as well as theoretical considerations, indicate that the land can support such a level of taxation. At the same time, the need for much of the government "safety net" would decline: the reduction of taxes on productivity would result in increased production, greater job opportunities, and a more fair and equitable distribution of the fruits of labor; the increase in land taxation would put an end to land speculation and its concomitant waste of human energy (with

suburban sprawl, rent-seeking behavior, government boondoggles, etc.). Also, assuming that a more libertarian government would exist, we'd no longer be supporting the highly immoral and costly "War on Drugs," and could eliminate many federal agencies, such as the DEA and the BATF, along with their state-level counterparts, further reducing the size and expense of government.

Where's the "there" I'd like to see us get to? Libertopia, of course—a land of freedom and justice for all. We'd pay LVT to, or get a land value rebate from, our local municipality. From that rent would be paid our local government services. Our municipality would send representatives and financial support to county or state government, which, in turn, would send representatives and payment to the federal government. County and state governments wouldn't do much (coordinate between municipalities about roads and other infrastructure, manage state parks and game preserves, etc.), and could meet on a part-time basis (for county government), or one month out of the year (state level). As to the federal government, since it's a monopoly, and not subject to the same sort of competitive pressures as municipalities (voting with one's feet), we'd have to keep a watchful eye on its spending. But, since its functions would be strictly limited to those spelled out in the Constitution, that would be a lot easier than is currently the case.

Ideally, everything that government does, at all levels, would enhance land values to such an extent as to pay for itself. Indeed, once LVT is adopted, even at the merely local level, i.e., involving only a shift in property taxes off of improvements and onto land, the need for the federal leviathan would begin to diminish, as land would be freed up for more economically useful roles in the cities, raising wage levels, etc. We'd have to be vigilant against the federal government, buoyed by surpluses of income tax revenue, expanding out into other socialistic functions.

Each municipal bureaucracy would have one immediate goal: collect the entire ground-rent. We'd all still be "gouged" as renters, but we'd get most of it right back, as either Citizen's Dividends, genuine public benefits, or individual rebates.

## **How would land values be assessed?**

This is really two separate questions: one is how land values are assessed (ideally) under our current system, and the second is how they can be assessed once a 100% LVT is in place, and the sale price of land has, by and large, gone to zero.

Let's start with how land prices are presently determined. First of all, it should be pointed out that land values *are* currently assessed separately from buildings in many locales. If you're a home owner, you may notice on your tax statement that there are separate values indicated for your land and your house. Most municipalities tax both the same, mooting the distinction, but some places, such as the city of Pittsburgh, tax land more heavily (a good thing, of course!), as a result of Georgist political activism throughout the 20<sup>th</sup> century.

So, how do assessors know how much a plot of land is worth, especially when it has a building on it? (Remember, Adam Smith said that it shouldn't be hard to separate these values, and he was right, as usual.) Assessors use several bits of information taken from the surrounding area: 1) sale prices of vacant lots, 2) land lease rates, 3) sale prices of lots whose building is subsequently torn down to make way for new construction (one simply adds the cost of demolition to the selling price), 4) sale prices of comparable buildings in different locations (the difference can be attributed entirely to the greater location value of the more expensive property) and, relatedly, 5) rental prices of comparable space (for living, office, retail, industrial, or other use) in buildings in different locations.

So, for example, let's say a house in a poor neighborhood sells for \$50,000, and that an equivalent house in an affluent neighborhood sells for \$250,000. One immediately knows that the value of the land on which the second house sits is about \$200,000 — that amount, plus the value of the land of the first house. In general, this is the type of calculation one must do to separate the land and building values.

But what happens when we start taxing away land values, such that little or no capitalized value remains? We'd no longer have sale prices for vacant lots, and the sale prices of homes would be entirely comparable in various neighborhoods — one's land rent would simply be much higher in a desirable neighborhood, just as retailers pay higher rent for high traffic

locations than for ones off the beaten path. In that happy future, as mentioned in the previous section, the goal of municipalities will be to maximize rent, just as successful shopping malls, industrial parks, trailer parks, hotels, motels, etc. currently do. If there's vacant land in their district, that tells them those particular rents are too high. If there's intense bidding in certain areas, they know the rents there need to come up. Tons of data will be available for estimating such rents, and the above would serve as indicators that one's estimate is off a bit. The ideal is to have all the land rented out and drawing the maximum rent. (Of course, each community will also have common spaces set aside for recreational purposes, since such amenities will attract people and generate higher rents on surrounding land.) Since there'll inevitably be a gradual transition to a 100% LVT, the land value assessment process will gradually shift as well, taking as its starting point the current assessments and assessment mechanisms.

Certain principles would be observed under a 100% LVT. First, government would be kept out of the market as much as possible. Bids on occupied land (binding offers made for land and building) would be made via market mechanisms (i.e., real estate brokers) operating through a municipal land assessment office (for data-gathering and title transfer purposes only). Information about buildings, such as square footage, state of the interior, etc., could be provided by the owner, or simply estimated by the assessors, as is currently done. Such information would facilitate accurate assessment. Provision of such information wouldn't be absolutely necessary — assessors could simply look at bid prices on those properties, and keep raising land rents until some of the property starts going vacant, or, more likely, until the owners start screaming. But since people don't want to have to start screaming, they'd have an incentive to provide accurate information to the assessors.

Now, lest the possibility of such screaming alarm you, remember that this is local government we're talking about—small and friendly municipal wards, where the bureaucrats you deal with have to look at you, their neighbor, face to face every day. Everyone would have access to the assessed values of land all over town, and, in fact, all over the country. Since municipalities would be in competition with each other and their administrations would be subject to recall election at any time, they'd have an incentive to keep their residents as happy as possible, and would find the best assessment formulae

they could, determined through market competition, and would publicize their methods for all to see. Real estate agents, who would broker the market, would know which communities do a good job of assessing, which ones are best run, offering the best amenities, and thus which are the best places to live. Remember, with LVT (i.e., *all* "taxation") administered at the municipal level, good government would be rewarded with higher revenues, and bad government punished by people voting with their feet, and moving out. But that would soon become a thing of the past, as communities would quickly learn from each other, and evolve harmoniously.

And, as mentioned above, without all the other taxes to consider (income, sales, business, personal property, amusement, inheritance, capital gains, etc.), we'd become a nation of LVT experts. All the information could be available over the Internet, and one could walk down any street, and know what the land values were assessed at. If you felt that some area were under-assessed, you could make a bid on the property, since it would represent a good value. Such market incentives would insure that the assessments would quickly settle in at their true value.

## **How do we guarantee security of improvements?**

Many unconvinced libertarians ask questions of the nature, "What happens to the elderly couple who have a home in an area that is becoming more and more commercial, and their land value and rent rises to a point where they can no longer afford to live there?" No one wants to buy their house (in fact, their home will likely be demolished to make way for a commercial structure, once the couple relinquishes their land lease), and the homeowners will therefore lose its entire value. The answer is that in a geolibertarian world, people would buy insurance to cover such cases. Those who live in high risk areas would pay high premiums. And insurance agents would be reluctant to sell insurance to people who wished to "build in the path of progress," and would certainly charge more for such risky behavior. Building in the path of progress (unless you are part of that progress) would be viewed equally as risky as building in the path of hurricanes.

## **Man's future under LVT**

Having a single tax, on land values, doesn't guarantee that none would be poor. Such people would, however, for the foreseeable future, be able to find free land for homesteading, and could build their own life, limited only by their own ability and initiative. Some money would be available "for free," as the Citizen's Dividend, though I doubt it'd be sufficient to provide a living. But if LVT were instituted, most speculators would abandon their land, knowing it'll never earn them a dollar without their actually having to use it to produce something of value. Many people would relocate back into cities, as the slums and welfare state disappear, owing to immense job creation and the freeing of the productive powers of humanity. Vacant lots would be utilized, and cities would develop rationally, without the wasteful phenomenon of suburban sprawl. And much of the earth would again be available for homesteading, which would act to set a natural minimum wage. In other words, if people weren't satisfied with the wages they were offered, they could always say, "take this job and shove it," and do the homestead thing. Or simply move to the outskirts of a city, where land rents would be extremely low, and try to go into business for themselves. Additionally, if we enact the rest of the Libertarian Party Platform, and get rid of the many wealth transfer activities of government (i.e., robbing Peter to give to Paul), we'll have gone a long way toward having a fair and efficient economic system.

*Possible limitation of reproductive rights?* It's my opinion that mankind's numbers will plateau when we've reached a certain average comfort (or discomfort) level, long before pandemic disease and starvation overtake us. And while "over-population" could occur under any system, some might argue that people would tend to have more children if life were more beautiful, which I believe it would be under LVT. Also, with more of the earth's surface freely available, there would be fewer roadblocks to human population growth. And so, while we'd all be happier and healthier, and living more compactly in cities, there might be more of us than under any other system. As Harvey Fierstein might whine, "*Is that so wro-ong?*" If we were to multiply to number in the hundreds of billions, and all land were brought into intensive use, then at that time the heretofore assumed "right" to reproduce beyond replacement levels might reasonably be called into question, being considered aggression against the living. Looking back at the "Clan A/Clan B" example, in this case Clan A (or individual families)



might reasonably tell others that their borders are inviolable, the needs of the rest of crowded mankind be damned. "We didn't tell you to overpopulate your own country (family plot)! You made your bed, now lie in it!" So, it seems that the "right" of couples to have more than two children may not be an absolute, and people may, conceivably, one day trade "reproductive rights" on the open market, much as industries now trade "pollution rights." (Maybe you're one who remembers that old Star Trek episode where a planet was so jam-packed with people that the starship Enterprise seemed sinfully spacious by comparison — a *very* unpleasant situation!) I seriously doubt that we'd get to that point, though, since all evidence suggests that people who have freedom, economic opportunity, and education, seldom desire more than two children, if that many.

Setting aside unrealistic fears of future population horrors, let me now quote a 1979 article by David Hapgood from *The New Republic*, which represents the hope of all geo-libertarians:

With surprisingly little updating, Henry George, the self-taught American oddball, provides what could be a common platform for people now found at opposite ends of the ideological spectrum. Libertarians and socialists might both find attractive a doctrine that prizes equally the libertarian cause of freedom and the socialist cause of equity. Economic democracy is an attractive ideal that, as offered in our times, usually has come in a package that includes the prospect of bureaucratic tyranny. Henry George's social contract suggests a way to get from here to there with less, not more, governmental control over our working lives.

## **What Geo-Libertarians propose**

All geo-libertarians share the goal of creating a society based on equal freedom and justice for all. Like all libertarians, we'd like to see the end of the coercive welfare state. But we realize that there's a proper order to change: before removing the social safety net, we'd like first to correct the structural flaw which caused the problems which led to the Progressive Movement and the formation of that safety net.

Here's what geo-libertarian Hanno Beck says on that subject from his "Freedom Links" website (<http://www.progress.org/freedom/>):

Progressive libertarians tend to give priority to alleviating poverty, by cutting corporate welfare and removing other government-created problems that cause

poverty - rather than first cutting the social safety net. With such government-created problems removed, there will then be more job creation, higher wages, and lower prices.

Fewer people would then need welfare programs. But progressive libertarians tend to favor maintaining a government-sponsored social safety net if necessary, until such time as the non-government sector is able to handle the safety net.

Here's the mission statement of one of the Georgist groups to which many geo-libertarians belong, called "Common Ground-U.S.A.":

Common Ground-U.S.A. is dedicated to the principle that all persons have equal and common rights in the earth and its resources and each individual has an exclusive right to the income from his or her own labor and capital investment. Therefore, we are committed to reducing and replacing taxes on labor, capital, and wealth, and to using the value of land and other natural resources to pay for essential governmental services. We believe this to be essential to the attainment of liberty, justice, and economic opportunity for all.

Here's a quote from Dan Sullivan's "Geolibertarian" web site:

We are libertarians who make the classical liberal distinction between land, labor and capital. We believe in the private possession of land without interference from the state, but in the community collection of land rent to prevent monopolization of land.

We believe that all government activities should at least be limited to those which increase the value of land by more than what the government collects, and that government should be funded entirely from the land value increases it creates.

We oppose direct state monopolization of land as well as state-sanctioned private monopolization of land, and advocate that state and federally held land pay land rent to the communities the same as private land.

We advocate that government be allowed to spend only what is authorized by voter referendum or similar device and that it take for itself the minimum it is authorized to spend. Those who advocate collection of the full rent stipulate that the proceeds be divided among community members on a per-capita or similar basis, for the land, and the rent, belong to the people, not the state.

We condemn the taxation of property improvements, and of all activities, productive, consumptive, or recreational, as invasions by the state into the private affairs of free individuals.

Toward the end of achieving liberty and justice for all, there are some incremental changes that all geo-libertarians would like to help bring about.

***Modify the Libertarian Party Platform*** Murray Rothbard, and to a lesser extent some other economists of the Austrian School, stand alone in opposition to three centuries of libertarian thought, in maintaining what I've called "extreme first use dogma" regarding land. Nevertheless, the Rothbardian view is the one firmly entrenched in the National Platform of the Libertarian Party. (This is not surprising, given that Rothbard served on the Platform Committee in the mid-1970s when it largely assumed its current form — personal communication from Don Emsberger.) For example, in Part I, Section 11 (1996 version, The Right to Property): "*We demand an end to the taxation of privately owned real property, which actually makes the State the owner of all lands...!*", II. 2. (Taxation) "*We...support the eventual repeal of all taxation...No tax can ever be fair, simple, or neutral to the free market.*" Other examples may be found, but these are the most immediately relevant. I hope that this essay has demonstrated, through quotes from libertarians ranging from Locke, Smith, Paine and Jefferson through Bastiat, Spencer, George and Nock, that a tax on land values is the only practical way to ensure economic justice for all people — guaranteeing them equal access to land and assuring them the full fruits of their own labor. I suggest the following platform additions:

*Because the right to life necessitates a right to land on which to live and from which to make a living, every adult citizen has a right to an equivalent share of the nation's land. Governments should no longer support the individual monopoly of the nation's land. A tax on the net site value of land, levied at the municipal level, is the fairest and most straightforward way to break that monopoly and guarantee those individual rights. Severance taxes will also be placed on the extraction of minerals from the earth, and market-driven user fees will be charged for the use of the broadcast spectrum. Fees will also be charged for air and water pollution privileges, whose value will increase as the pollution caps are lowered. The proceeds from these fees will be placed in a National Citizen's Trust Fund and distributed on a per capita basis. The portions of land rent created by individuals, and by local, state and federal governments should go to them. To not charge such user fees and rents is to grant some, the landowners, privileged and unequal status as lords of their fellow men.*

*On Taxation: All adults are, individually, the proper owners of themselves and all the fruits of their labor, both mental and physical. Therefore, we*

*demand an end to all direct and indirect forms of taxation on labor, and advocate instead taxes on the use of natural resources, such as one-time severance taxes on minerals extracted from the earth, yearly rental payments for broadcast use of the electromagnetic spectrum, and a tax on the site value of land. The latter tax is to be levied at the municipal level, so as to insure that market forces will regulate land value assessments. The natural value (i.e., value independent of any improvements made) of all national resources shall be totaled up yearly and distributed equally to all citizens as a "Citizen's Dividend."*

***Work to shift taxes off of production and onto land values*** One productive step Georgists have taken over the past 100 years has been to shift property taxes off of improvements (buildings) and onto the location value of land (for its effectiveness, see graph on p.89). Libertarians will naturally want to champion such shifts as well, and try to extend them, such that income taxes, sales taxes, etc., are shifted onto the rent of land and other natural resources.

***Encourage the encouraging development of proprietary communities*** A growing trend in the real estate industry has been the development of proprietary communities under unified ownership and management (contractual governance), such as trailer parks, industrial parks, condominium associations, homeowner's associations, shopping malls, and even planned communities (e.g., Walt Disney World; Reston, Virginia; Columbia, Maryland), where occupants lease space rather than own it. Such communities provide security, utilities, trash removal, public and private spaces, rules of conduct, etc., i.e., all those things that most people assume only (coercive) government can provide. Unified ownership makes management efficient and profit-oriented. The contractual nature of the leases and ease of exit is conducive of customer satisfaction. Such trends and their significance have been lucidly discussed by Spencer Heath MacCallum (**The Art of Community**) and Fred Foldvary (**Public Goods and Private Communities**). The continued growth of such communities, especially if they begin demanding and receiving tax rebates from municipal and county government for services they themselves provide, and also demanding the more general right of secession, means that they will come into direct competition with municipalities for residents, and that more and more of the earth's surface will become a haven of freedom.

*Educate others about the evils of our current tax structure and system of land tenure* We geo-libertarians also believe that only when people understand the nature of the beast can they, and will they, rise up to take proper action. To the extent that we increase the level of education of our fellow citizens about tax structure and land policy, we make progressive change more and more likely, as well as peaceful and relatively painless.