

enhanced the Georgist movement's credibility in the past. They will enhance it even less now that ecotaxes are becoming more and more widely accepted as an essential instrument of sustainable

development.

A Rental approach to the use of energy and other natural resources, including the environment's capacity to absorb pollution and waste, can play a crucial part in the shift to

sustainable development. I suspect that getting this across in the context of current policy research and debate will prove to be the most effective way for Georgists also to establish the merits of site-value taxation.

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# THE LANDSHARE

Mary Lehmann responds to the Citizens' Income proposals by James Robertson

WHEN the public demands a reduction in pollution, politicians first think of taxing it, because that also produces revenue. Unfortunately, their taxes do not enjoy land revenue's unique advantage, that of not being an added burden on labour and capital. James Robertson acknowledges this drawback, but argues that to meet today's needs – cleaning up the environment and paying the citizenry a direct income – land revenue must be supplemented.

However, the Robertson solution invites unintended effects when he taxes what he wants to get rid of, pollution, to finance what he doesn't want to get rid of, his basic income plan for every citizen. Either objective can gain only at the cost of the other. If the tax were to be a substantial source of revenue, as Robertson intends, picture a nation dependent on it. Well-heeled polluting corporations become entrenched, nobody doing research on alternatives, while the unlucky end-user taxpayer, unconsolated by Robertson's Eco Bonus, chokes on the paid-for polluted air. This time the tax is better for revenue than for the environment, but the outcome of raising prices would be the same whenever end-use demand is inelastic. Nobody saw automobile traffic greatly reduced when gas

prices rose in the '70s. People just paid more for gas.

Restricting pollution by issuing a limited number of permits to pollute is rejected by Robertson precisely because that would truly fix the amount of allowable pollution. He misses the significance of controlling the intended limitation, of treating scale, distribution, and allocation separately, as Herman Daly has described.<sup>1</sup> First the region's "sink" capacity for absorbing pollution would be determined, which governs the permitted scale of pollution. Only then would permits be issued. For fairness all citizens might receive some pollution permit or fraction thereof, a direct distribution like the Citizens' Income itself. Finally permits would be efficiently allocated because interested companies buy them from the citizens at market-determined – not tax-determined – prices.

Furthermore, the land-use charge, called a "tax" to mean it goes to the government and "rent" to conform to real estate usage, is itself a license or permit like permits for other desirable resources in limited supply: wild game, mineral ores, the broadcasting frequencies etc., and could easily combine with permits for things that have to be limited, like pollution and

population.<sup>2</sup> Possibly by controlling environmental stress, due to mining, for instance, the land-use permit (land rent/tax) combined with the pollution permit could protect a region from too much of both resource depletion and pollution pile-up. Keeping this "throughput" process well within a region's carrying capacity is the very meaning of sustainability, and permits used for this purpose would do more than provide revenue for Robertson's Citizens' Income. They would add ecological value to the social and economic value of land as a revenue source.

### The Citizens' Income

ROBERTSON'S mistaken choice of pollution taxes to provide revenue for the Citizens' Income in no way lessens the merits of his *per capita* payment plan itself. This paper will review the need for a Citizens' Income and describe a way to extend land-use revenue that might be a useful supplement, first discussed at the Brighton International Union conference (July 1997).

While still allowing for government expenditures, nevertheless a *per capita* guaranteed income like Robertson's Citizen's Income seems certain to be in our future, and for reasons he brings up: an

ageing society of economically inactive people, job loss — as wage undercutting and technological displacement of workers continue, and the renewed focus too on citizens' obligations, which draws attention to rights as well. Then there is the reason for direct payment that has always existed, to increase the money a person spends on his own behalf, because it invariably reflects his own choices. Money spent by others, ostensibly on his behalf, does not. This is the truth behind the idea that only *per capita* payments can move us beyond political democracy toward true economic democracy. The idea of a *per capita* payment apart from earnings or status is indeed spreading. The Basic Income Group in England and many similar organizations in support of such payments will have their next major convention in Amsterdam this fall, and no doubt proponents of a Citizens' Income will be there.

To Robertson's list of modern reasons for *per capita* payment must be added the most compelling one of all right now, reported here from recent Internet bulletins. A profoundly influential trade agreement is quietly in the making called Multilateral Agreement on Investments (M-A-I), which will be presented to governments this Spring. It gives corporations the right to sue governments for maintaining laws to protect the health, jobs and environment of the citizenry when the corporation finds these protections detrimental to its profitable investment and trade. There is no reciprocal power of governments to sue corporations. Decisions will be made by a non-elected tribunal and all provisions will be binding for 20 years without appeal. Such a loss of national sovereignty sounds unreal and scary, but is quite real evidence that has been building up for decades, that global

financial interests can literally dictate the terms they like to our deeply debt-ridden governments.

The M-A-I assault on a nation's right to manage its own natural resources is a new major reason to move quickly to protect our resources by requiring the land-use and pollution permits described, and to protect our citizens, to make sure that real, live people will benefit rather than abstractions like governments, banks and corporations, by requiring distribution of the permits equally to every citizen. Then in the third step of allocation the big investors, even countrymen — the M-A-I forbids giving them preference — would have to pay the citizenry directly in competitive bidding for the permits, which would always be limited in scale to prevent exploiting and degrading ecosystems. This assumes there is enough force of law to compel compliance from international councils, banks and corporations. As the new revenues accumulate in people's Citizens' Income accounts they could replace existing taxes and social services accordingly, as Robertson intends.

In view of the high-powered opposition that direct *per capita* payment is certain to arouse, the Citizens' Income could use a more enduring claim on revenues than legislative appropriation. Revenue recipients might be given a permanent legal status similar to beneficiary status in a trust. A legal determination would be ideal: that a nation's citizens have the "beneficial interest" in its land and natural resources since no one created these. Whatever laws may have to be challenged, surely citizens could more easily attain legal beneficiary status if they are given the saleable land-use and pollution permits rather than the money from pollution taxes. James Robertson would do well to modify his plan accordingly

and soon. Pressure to control a nation's natural resources through the M-A-I will intensify.<sup>3</sup>

### The Landshare

THE SUCCESS of the corporation as a legal entity suggests taking ownership a step further and giving people shares representing ownership of natural resources just as shares of stock represent ownership in a corporation. The success of the bank as a legal entity suggests using these "landshares" as backing for new credit — but not to spend at large like the Alaska Oil Bonus, which just reappears as higher land prices, nor to spend for specific purposes, as Godfrey Dunkley has proposed, cited by Robertson, which removes the right of choice that goes with spending money.

Instead, the landshare-backed credit would supplement a person's Citizens' Income through mutual trade using a central exchange, the device whose most prized feature is that trade itself creates additional credit on the accounts. Therefore lack of already existing money would be no obstacle to trade — no matter how little money is in a person's Citizens' Income account. Whereas that money would come from permit sales, the additional credit in his trade exchange account would be based on the market value of his landshares, and this in turn would be based on the value of the land in that area, largely its site value.

Trade stimulus would characterize any trade exchange, but in the landshare-backed trade exchange, due to the connection with site value of both landshares and trade, an extra momentum operates in the following way. Increased trade in a vicinity would increase the site value of the land there, which would put more credit in a person's trade account, which would tend to increase trade, again raising the value of the location or site, and so on. This upward ratchet effect

would taper off at a maximum level of activity which, reflecting trade, would not be inflationary.

Because they activate local economies, trade exchanges have been sprouting in renewed numbers in cities across Europe, the Commonwealth countries, and the US. By one estimate<sup>4</sup> the U.S. has 500 full time exchanges doing around \$4 billion worth of business each year with local networks readily hooking up with more distant ones. However, the type of trade exchange proposed here would be different in giving everyone in its locality automatic membership. That would make periodically settling up accounts necessary to prevent inflating them (sneaking in extra credits), which has tended to make trade exchange money too suspect to attract membership at large. Everybody would settle accounts with one another periodically through a clearing house the way banks settle interbank accounts. People whose expenses exceeded earnings for the period would transfer landshares to people with excess earnings, probably partially discounted to prevent undue accumulation. Other than this periodic transfer, the landshares would be inalienable.

Other collateral has been proposed for backing trade exchange accounts,<sup>5</sup> but landshares form the only truly owned asset that could back new credit of a whole nation's people. With the landshare as the foundation of solvency, a prudent people could build a network of trade clearing houses for bringing community and nation through lean years when stalled economies and Citizens' Income accounts could use some extra, true trade credit.<sup>6</sup>

NOTES

- 1 *Beyond Growth* by Herman E. Daly (Boston Mass.:Beacon Press 1996).
- 2 In an earlier work with John B.Cobb, Jr. *For the Common*

*Good*, Herman Daly describes using the salable permit for limiting population. (Boston, Mass.: Beacon Press, 1989; second edition, 1994).

- 3 Financial resources as well via the Financial Services Industry Agreement (FSIA) ...recent Internet bulletin. <http://www.citizen.org/pctrade/mai.html> has a wealth of information on M-A-I including the complete text.
- 4 Tom McDowell, Executive Director of the National Association of Trade Exchanges, from Martin Romjue, Oakland Tribune (Santa Fe, N.M., The New Mexican, October 20, 1997)
- 5 My attempt to get \$100m of Federal Empowerment Zone funds to back direct *per capita* accounts of St. Louis, Missouri's "targeted" 50,000 poorest people was immediately blocked by alarmed bureaucrats whom the direct payment money would bypass instead of "trickling down" as usual through their own

pockets. The state-backed plan City Hall approved proposed a new Empowerment Zone Board to dispense the money but only to other agencies. This standard government procedure has led to my belief in enough direct payment to all people for subsistence, and in using a trade exchange because it would tend to keep people's money circulating in their economies. For the benefits of localizing economies see David Korten, *When Corporations Rule The World*(W. Hartford, Connecticut, Kumarian Press and San Francisco, California, Berrett-Koehler, 1995).

6 E.C. Riegel, the student of money, correctly predicted in the 1940s that there would be no deflation anymore, held trade credit to be the only genuine money, non-political, purely economic, and therefore universal. *Flight From Inflation: The Monetary Alternative* (Pine Hill, New Mexico, S.H. MacCallum, 1978).

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