

DIRECTORS' PERSPECTIVES

THE MOST RECENT EXPLORATIONS FROM RSF BOARD MEMBERS ON CURRENT APPLICATIONS AND IMPLICATIONS OF HENRY GEORGE'S TEACHINGS.

REBUILDING AFTER RIOTS

BY: MATT LEICHTER

The two weeks after a Minneapolis Police Department officer killed (and three others charged in killing) George Floyd, it feels like the summer of 1914 in fast forward. A single death cascaded into nationwide protests, arson, looting, police attacks on journalists, and then a presidential crackdown on protesters in front of the White House by secret police. In the evenings, my smart phone barked to remind me to return home before the curfew descended on Minneapolis, and helicopters regularly passed over in once quiet skies. As things calmed down, my thoughts turned to the destroyed parts of my city.

The list of damaged locations is long. The Minnehaha Shopping Center, home to a Target and Cub Foods I sometimes shopped at, is gone. Like many Minneapolitans, I now shop in the undamaged suburbs, but I'm privileged: I have a car and I work full-time from home isolated from protests. Many people who've lost their homes or places of employment aren't so lucky, and without access to transportation they cannot buy groceries. Those who need prescription medications will struggle to find nearby pharmacies that are still standing. While the outpouring of charity for them is heartening, it won't last forever. The novel coronavirus further complicates the city's recovery.

Specifically, Minneapolis is uniquely disadvantaged these days because it's a small city with a large hole in its budget due to reduced spending caused by the pandemic. Although Minneapolis is part of one of the largest metro areas in the country, the city itself is rather small with fewer than 450,000 residents. The CARES Act gives aid to municipalities, but it set the population floor for relief at 500,000.



Consequently, according to MinnPost, a bigger city in a smaller metropolitan area like El Paso receives federal aid under the act, but Minneapolis does not. The federal government also does not give aid to cities that suffer from riot damage. Clearly Minneapolis and the rest of the state are on their own, but there are options that only require some creativity. (cont. page 9)

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REBUILDING AFTER RIOTS (CONT.)

Option number one is to encourage redevelopment with building tax abatements or split-rate taxation. The goal would be to motivate rebuilding by allowing property owners to pay only for the benefit of owning the locations they operate on rather than pay taxes on their buildings themselves. These ideas are not new to civic rebuilding. In fact, they were the go-to response to disasters (natural and not) in the early 20th century. Think of San Francisco after the famous 1906 earthquake. Economist Mason Gaffney catalogues many other examples in an article written after hurricane Katrina destroyed New Orleans.

Enabling a municipality to shift its property taxes onto land values would require action by the state legislature, but there is pending legislation (HF0338) that would authorize this. If passed, Minneapolis could, in theory, designate destroyed areas such as East Lake Street and nearby neighborhoods as a land-value tax district to encourage rebuilding.

A compelling social justice argument accompanies efforts to gather public revenue from land values rather than taxes. Many activists point to racial disparities in housing and wealth as evidence of systemic racism—unjust outcomes that do not require the actions of individual racists. These activists frequently do not recognize that some assets, primarily land, are static in character, and free commerce cannot produce them for everyone. Land value taxes reduce these unfair advantages, improving social and racial equity.

Option number two is more flexible: Issue a community currency. Minneapolis, or activists working with businesses, could collect dollars from people and in return give them a currency they could use at participating stores in Minneapolis. A variety of localities use their own currencies, but increasingly they're turning to digital platforms. For example, Brixton, a district in Greater London, United Kingdom, has its own pound that can be transmitted by text messages as well as physical notes. It charges a fee to people converting Brixton pounds into pounds sterling to both finance the project and keep the wealth local.

The advantages of a community currency may not be as profound as reforming the property tax code to motivate construction, but they would probably be more visible and intuitive. For one, a community currency would ensure that spending remains local and doesn't leak out of the city. Keeping spending in the city keeps wealth creation in the city, so it encourages employment and higher wages, which would help disadvantaged communities.

Two, a local currency would foster community trust because people identify with their currencies, and

distrust in businesses can be eased if people know that a local currency recirculates locally. It would function as a symbol of community solidarity and renewal. Even larger businesses might be persuaded to participate because it would show their sincere commitment to the minority communities they serve.

In closing, I note that neither of these ideas addresses police practices, the institutional failure that triggered the ensuing pain and destruction. The reason is that the underlying inequities and distrust would remain even after enacting sensible public safety reforms. In one anecdote that struck me, reported by the Associated Press, one protester justified the property destruction and looting of local businesses saying, "They're making money off us," as though these businesses avariciously extracted wealth from black neighborhoods, keeping them chronically poor. If this sentiment pervades many disadvantaged communities, then building a new Target or Cub Foods alone won't mollify it. Rebuilding the destroyed neighborhoods of Minneapolis requires visibly building community solidarity, something land-value tax districts and a community currency would promote.

ECONOMIC EQUALITY (CONT.)

It's not fair for a person to get rich because their political clout helps them or their clients obtain large government subsidies. They should be prevented from getting wealthy at the expense of taxpayers and consumers. Much of agricultural subsidies, for example, go to the biggest farms, not to the farm workers.

The largest subsidies are implicit in the form of not paying the full costs of production or in obtaining higher land value from government's public goods. Therefore, for one example, there should be pollution levies that compensate for imposing a social cost. There should be taxes on the land rent generated by public goods.

Research has found that much of the inequality in the economy has its origin in real estate, in the ownership of land. Much of the gain from economic growth is captured in higher land rent and land value. Low taxes on land combined with high taxes on labor have produced the great economic imbalances that are low wages and high housing costs. This can be reversed by untaxing labor and shifting the obtaining of public revenue to land value. As Matthew Rognlie from the Massachusetts Institute of Technology stated in his article, *Deciphering the Fall and Rise in the Net Capital Share: Accumulation or Scarcity?*: *In a sense, then, the lesser role of land is due to the idiosyncrasies of national accounting.*