

A good use for rent may inspire some movements to ask, What's the total of rent?

CHAPTER 35

MOVEMENTS FIND A PIECE TO THEIR PUZZLE

If only they knew now what they'll know then ...

ACTIVISTS FRY FISH UPSTREAM?

Try as hard as academics and bureaucrats might, it's nigh impossible to do economics without getting politics all over you. If you find that competition accomplishes some goal equitably, the gallery calls you a rightist. If you find that cooperation accomplishes some goal efficiently, your detractors call you a leftist. Comes with the territory.

While economists try to steer clear of politics, political people grab their favorite economic policy and charge up the hill with it. Which could work out for us gadflies. Some of those political people have influence and may help us sway officialdom to calculate the worth of Earth in America. They'd do that because such a statistic would help them advance their own agenda. Remember those issues at their tipping point (Ch 29)? They're still tipping.

With the ability to inform their listeners about how much society as a whole spends on land and resources ...

- Environmentalists could extrapolate how much more valuable healed nature would be;
- Urbanists could dangle a fat plum before reformers of local revenue policy;
- Fans of full employment could show what constrains vs creates opportunity;
- Income re-partitioners could grasp what widens the gap and may close it;
- Libertarians could show the feasibility of freedom from conformist work;
- Businesses could present an alternative to taxes on business; and
- Governments could demonstrate how successful they've been.

Advocates in all these movements might join the call to officials to calculate the total of all rents.

GREEN OVER GREY

Buying land or anything with land in it, we reward owners, some of whom chew up the environment and spew out pollutants. Rather than continue to enrich those who waste resources or leave behind waste, society could make them pay. To avoid paying an extra expense, producers and investors would switch from foul, inefficient ways of providing a good or service to clean, efficient ways. Businesses and residents would reduce their depletion and pollution, too.

Just in time, governments may make polluters and depleters pay. Government could collect Ecology Security Deposits, require Restoration Insurance, auction off Emission Permits, penalize violators of standards with realistic fines, etc. To charge any of these, government must first know the market value of affected regions and surrounding regions. That's our cue.

Another policy that benefits the environment is one some jurisdictions use in order to raise revenue efficiently. They shift the property tax from buildings to land. To pay the land levy, owners of prime vacant lots put them to good use. Then downtown absorbs new building, leaving little or no construction to sprawl over the countryside. Before more can levy land, they'd like to know its yield.

Environmentalists defend hillsides, creek banks, and marshes and argue for zoning and other regulations. However, the only current way to profit from land is to develop it. An alternative way could both reward the owner and spare the land. That is, government could gather up the annual rental value in its jurisdiction and pay residents a share. Receiving their portion, owners prevented from developing their land would be compensated financially, and get to live in a vigorous environment.

A region with parks, open space, and wildlife corridors has higher value than one with wall-to-wall development.¹ So does a region that humans have cleaned up. The cleaner the environment, the more valuable the locations,² and then the bigger the share. Residents have less motive to exploit their land in any way that'd lower its value and their share of rents. Talk about a positive reinforcing feedback loop.

1 "Why America Needs More City Parks and Open Space" by Paul M. Sherer for The Trust for Public Land, © 2003

2 "Cleaner Air Results in Higher Home Prices" by Matthew Davis, NBER, March 1999

NEW URBANISTS

Many longer-term residents hate to see their town grow too popular and densify. “Welcome to Ourltown; now go home,” NIMBYs say. Yet as long as human population grows, so must demand for human habitats. More residents push up site values, add to traffic, etc., etc.

In response, urban advocates aim for two major goals: affordable housing and walkability. Both are hard to win when locations are astoundingly pricey.

Developers cannot profit by putting low-cost housing on exorbitant sites, parcels that carry high property taxes. Residents respond with requirements to build affordable housing, tax breaks for developers, tax caps, etc. Ironically, the effort to pay less to government means paying more to sellers. Speculators simply raise prices, absorbing any tax savings. Look at California after Prop. 13 and the states that followed suit – site costs are out of sight.³

While capping the property tax does not work, shifting the property tax does. Now taxing property penalizes improvers and rewards speculators, but it could be flipped to discourage speculators and reward improvers. Doing that addresses both issues, affordability and livability (Ch 39). To enjoy these benefits, cutting-edge urban advocates support shifting the property tax.

Furthermore, to free themselves of confining social norms, people who long to express their uniqueness move to cities. Amid the population density, they find both anonymity and others of their kind. They find the freedom to be themselves.

JOBS CHASE WORKERS

With automation performing more jobs each day, many humans are worried. Most of them qualify for income only by performing a job. When jobs disappear, so does their income. So, they propose to conjure jobs, even if they’re not productive but merely conformist, like bureaucratic desk work. What a way to waste a human life.

Ironically, at the same time the desperate beg for jobs, their politicians tax them. Taxing wages makes hiring workers more expensive, so firms don’t. Conversely, de-taxing jobs increases job opportunity – albeit by itself not enough for everyone wanting one.

Along with taxes, another job-blockage is speculation in land. Some investors and owners make money by not using their land but by waiting

³ “California Real Estate Median Prices of Existing Homes since 1968” at RealEstate ABC, 15 December 2015

to sell (or lease) it at a higher value. Even in Manhattan, where a parcel can make one a fabulous fortune, you see vacant lots, abandoned buildings, and under-utilized locations. What happens on a vacant lot? Nothing, at least in the way of work. Take a bird's eye view. Where the city is pock-marked by vacant lots – slums – that's where unemployment is endemic.

Those eyesores, when located downtown, displace businesses and residents to less central, less desirable locations. There companies make less money, hire fewer workers, and pay lower wages. And wherever they are, vacant lots attract crime but do not foot their share of the bill for police and fire. These unwanted results of vacant lots, along with the argument that society generates land value, are more reasons to tap rent to benefit society.

The IMF (International Monetary Fund) notes that, having to pay some sort of land dues, owners put their vacant lots to good use,⁴ which requires hiring people. Afterwards, using the new structures requires hiring people, too. Further, where employment rises, so do wages. Furthermore, where wages rise, so does location value. Were it measured, policy-makers would know its potential to do good, and job-pushers would be one big step closer to their ideal of full employment.

LIBERTY LOVERS

Modern libertarians claim yesteryear's classical liberals as their intellectual lineage. And even though many libertarians see paying land value to community (instead of to a bank) as a tax and taxation as theft, and receiving a share as a handout akin to a bribe, they are out of step with their roots. Libertarian heroes Adam Smith, Thomas Jefferson, and Tom Paine, and others all stated that spending for land – our mutual heritage – is something that all members of society would be better off sharing.

Along with lionizing past liberals, modern libertarians prefer their governments slender (as do freedom seekers of all eras). The revenue policy of sharing rents can grant their wish. Jurisdictions that recover the rents of land, such as Hong Kong and Singapore, need not tax labor or capital. The jurisdictions that pay rent dividends, such as Alaska paying residents the oil dividend, need not subsidize citizens, whether rich or poor. Presto. Governments regain their youthful figures.

Ironically, it was Alaskan Libertarians who won that oil dividend and the libertarian organization the Heritage Foundation that ranks Hong Kong and Singapore as two of the freest places on Earth, while remaining mute about their policy of capturing rents. Most modern libertarians are

⁴ "Taxing Immovable Property: Revenue Potential and Implementation Challenges" by John Norregaard, IMF Working Paper 13/129, 2013

too anti-government to be aware of the libertarian nature of socialized rents, but not all. Some rich libertarians and libertarian groups are on board, too. Others could join the call.

While another world war is not pending, all the smaller wars that the US has confined itself to are troublesome. So are the black budget and the heavily-armed planet. The more a nation knows inequality, the more belligerently it behaves. Conversely, the smaller the prosperity gap between nations and between classes, the more peaceful are the nations. And rent, once counted, could become a bigger pie for society, better divided.

CURRENCY CRAFTERS

Not so much a movement as a discussion group scattered nationwide, are wannabe reformers of economies; a passionate segment focuses on money. Among those, some would abandon the call to return to gold or any precious metal as a backing for newly issued currency. Instead, they'd use the value of land. If that makes sense, then they and their audience might want to know land's value.

BUSINESS

Another non-movement, but immense component of society wielding enormous influence, is business, from local Chambers of Commerce to multi-national corporations.

Most of them profit more from capturing rent⁵ than from returns on their inventiveness and delivery of desirable goods and services. But no segment of society is monolithic.

There are some businesses who realize that putting prime land to good use attracts investment. After Pittsburgh widened the gap between its half of the property tax on land and its half on buildings, the city renewed its downtown without one penny of subsidy; rather with private investment. Savvy business-people who take note of results also understand that it's on prime sites where one can make the most money.

Such people have on occasion endorsed shifting the property tax:

- Nationwide, the Multi-Family Homeowners Association, who are the owners of apartment buildings,
- In Portland OR, major developer John Russell, and
- Believe it or not, in one year both the Greater Philadelphia Association of Realtors and the Chamber of Commerce.

⁵ "The hidden rent-seeking capacity of corporations" by Prof Dirk Loehr in *International Journal of Social Economics*, Vol. 41 Issue: 9, 2014

Businesses tend to be less willing to leap before looking. You'd think they'd like to know the size of their new land dues. They could use their influence to win an estimate for the value of land.

JURISDICTIONS

A few politicians have endorsed public recovery of socially-generated land value. Some state reps:

- In Michigan, a candidate and some office-holders;
- In California, Mike McGuire; and
- In Pennsylvania, Wayne Fontana.

And decades ago, presidential candidates of the two big parties – Democrat Edmund Muskie and Republican Jack Kemp.

In years gone by, back when the idea of using land value as public revenue was *the* progressive policy, even sitting US presidents voiced approval, including Democrats FDR and Grover Cleveland and Republican Teddy Roosevelt. Louis Brandeis, a Supreme Court justice, was on board.

Across the pond, two British prime ministers, Winston Churchill and Lloyd George, pushed the shift of the property tax off of buildings, onto land.

More than just talk, several members of the Oregon legislature have introduced bills. Elected reps did the same in Maryland, Minnesota, Missouri, New York, and Virginia. Connecticut passed legislation to allow certain cities to test out the tax shift; to date, none have.

Longer ago, several jurisdictions actually adopted the policy. Every place that has implemented it has benefited, in terms of higher wages, slower inflation, greater investment, gentler business cycle, wider spread prosperity, etc. For others to follow suit and take it mainstream, they might like to first know the size of their tax base.

LOSING DISSONANCE, MAKING COMMON CAUSE

Nowadays, even middle-class residents spend over half their income on the housing (that sits on desirable sites). In most US cities, downtowns are pockmarked by vacant lots that, if developed, could hire hundreds of workers. And in Louisiana and other cancer alleys, pollution greatly suppresses land value.

In the past these movements—from environmentalists to politicians—have been at cross purposes, which leaves society in a somewhat turbulent state and even the victor feeling a bit uncomfortable. To lose that social dissonance, some advocates in disparate movements welcome the

opportunity to work across the aisle with opponents. Perhaps tabulating the natural surplus of our economy could become a mutual goal.

The above interest groups have expanded their horizons before and succeeded often. Singly or in a coalition, they could go over the heads of data-keepers, straight to their bosses. The lobbied officeholders would order the public's number-crunchers to make an accurate accounting of society's spending on nature and privilege; imagine: an agency fulfilling its mandate.