

APPROACHES TO UNIVERSAL LIFE-LONG SOCIAL SECURITY

By Dr. Herbert Barry, III, Pittsburgh, PA

An email forum, held 1-7 October 2004, was entitled "Universal Life-Long Social Security." It was one of a series of topics organized by John Watkins for "The Simple Society's Alliance for Human Empowerment." I was one of several commentators.

My condensed and modified introductory statement:

(1) The workers should produce an adequate surplus of wealth to help people who need financial assistance. The free market in a capitalist economy can enable workers to produce an ample surplus. Production of wealth is impeded by currently heavy taxation of earnings, sales, and the value of buildings. Production of wealth will be increased if taxes on desirable behavior are minimized. Governments can obtain the needed revenue by higher tax rates on owners of land and of other natural resources, including oil, gas, minerals, and portions of the broadcast spectrum. A higher tax rate on land is beneficial by forcing owners to develop or sell it. A higher tax rate on oil, gas, and minerals is beneficial by encouraging conservation and inducing alternatives to nonrenewable resources.

(2) Better taxation policies can increase the needed surplus wealth. The federal government and state governments should tax the value of land. Local governments should be financed mainly by taxation of land, especially in large cities where some of the land is highly valuable.

(3) Self-directed, voluntary savings are preferable to the compulsory federal Social Security.

(4) Lower tax on earnings will enable workers to increase their donations to help needy people. If the proposed shift in taxation policy sufficiently augments government revenues, charitable donations can be deducted from the taxes on land and on other natural resources.

Other Introductory Statements:

Fred Foldvary, one of the few Georgist professors of economics, contributed libertarian advice. People should buy insurance, should provide any needed assistance for family members, and there should be no taxes or restrictions on honest and peaceful human action. Another prominent Georgist, Jeffery Smith, president of the Forum on Geonomics, did not make an introductory statement because his personal computer was temporarily disabled. He subsequently participated actively.

In accordance with Fred Foldvary, Jan Narveson, a professor of philosophy in Canada, advocated private insurance instead of government-sponsored social security. Ray Carey, head of the Carey Center for Democratic capitalism, proposed tax-free dividends for low and middle income wage earners, better measurement of corporate performance, and no more speculation with borrowed money. Pamela J. Larson, executive director of the National Academy of Social

Insurance, emphasized the merits of the federal Social Security in the United States. She also stated the need for future reductions of benefits, increases in taxes, and investments in higher yielding stocks and corporate bonds in addition to Treasury bonds. Peter Ferrara, a senior policy advisor on Social Security and Medicare at the Institute for Policy Innovation, advocated personal Social Security accounts, in accordance with what President George W. Bush calls "personal ownership." Meizhu Liu, executive director of United for a Fair Economy, argued for reversal of recent trends by using tax policy to redistribute wealth from the rich to the poor.

Selected Topics

Various topics were discussed by most of the authors of introductory statements, by John Watkins, and by a few additional participants during the seven days of the email-forum. Polly Cleveland, one of the few Georgists with a Ph.D. degree in economics, praised the introductory statement by Meizhu Liu. Polly commented that the income tax was originally limited to the very rich, but that taxation now should differentiate income earned by laborers from unearned income obtained by property owners. Fred Foldvary pointed out that the term "property" refers to Henry George's concept of land rent.

On the need for more sharing by neighbors, Jan Narveson commented "Separation of neighbors because each has his own separate house promotes togetherness; cramming them together promotes separateness." Jan Narveson also stated that all taxation should cease. Opinions of other participants were that taxation of earnings detracts from the ability of people to save for future needs, or to buy insurance, or to help needy people. Most participants agreed that taxation of land rent and other natural resources is a preferable source of needed government revenue.

Miles Michael was an active participant who did not make an introductory statement. He expressed the opinion that land, sea, air, and all they contain are common property. He asked several challenging questions, which elicited informative and enlightening responses. Several messages by John Watkins requested a focus on how to attain universal life-long social security. One technique is education. Jeffery Smith commented that public schools clobber curiosity. Other participants argued for the superiority of private schools or home schooling. John Watkins stated "Don't give a needy man a fish but enable him to fish." Jeffery Smith declared that most people know how to fish but need to be allowed a turn at the fishing hole. I commented that the usual alternative to giving a fish is teaching the person how to fish.

Controversy over the Citizen's Dividend

John Watkins and Jeffery (continued on page 5)

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Smith stated that the income from the rental value of land and from other natural resources should be distributed equally to each person in the form of a citizen's dividend. This income would not fund the governments but instead would be given directly to each person. The citizens would pay part of the dividend to the governments in the form of user's fees instead of taxes. Citizens would pay different fees depending on their use of government services.

Several participants agreed that the citizen's dividend would contribute to the principal purpose of the email forum, universal life-long social security. Individuals would earn money only if they enjoyed the activity or desired the extra income, not because of necessity. The income for everybody would minimize the number of people who need charitable donations. An additional argument was that land and other natural resources should be communal property. The ethical policy therefore is that each citizen should share equally the income from the communal property.

I agreed with the other participants on the merit of communal sharing of more income from land and other natural resources, but I argued that the mechanism should be funding of the governments instead of a citizen's dividend. John Watkins countered that this would make government costs (congressional spending) less visible and reduce the incentive for efficiency that would be a corollary if citizens had to pay their taxes directly.

Governmental action would be needed to distribute the money to the citizens. If the revenue for governments exceeded their needs, the surplus should be used to reduce and if possible abolish all taxes on products of human labor and enterprise. I believe that people will produce less wealth if a citizen's dividend detracts from their incentive to earn money. Henry George argued that people will produce more if they are permitted to keep all of their earnings. He never proposed an unearned income for everybody.

I also objected to the proposal for an indiscriminate equal payment to each citizen. For example, if the recipients include young children, some parents would maximize the family income by procreating as many children as possible. This response would have a detrimental effect if continued increase of the human population exceeds the world's resources.

Subsequent Discussions

John Watkins suggested the following four policies.

1. Collect and distribute a citizen's dividend based on rent of the common-wealth.
2. Retain part in a reserve fund for personal and community emergencies.
3. Eliminate Social Security taxes.

4. Require all corporations to pay a substantial portion of their surplus in dividends.

Jan Narveson declared that any citizen's dividend is a tax, which is robbery from the owners of the land that is taxed. He also characterized Jeffery Smith's proposal as out-and-out socialism. Jeffery replied that contrary to socialism, he proposes to abolish taxation and to permit individuals and small groups to earn wages, produce capital, and earn the right to an equitable share of rent from the land.

I commented that the sales tax is especially detrimental, raising the cost of merchandise both for the seller and buyer. I suggested that heavy national and provincial sales taxes in Canada account for the progressively lower value of the Canadian dollar in comparison with the United States dollar. Jan Narveson said that in the past year the Canadian dollar has gained 30% relative to the U. S. dollar. Perhaps the recent large U. S. federal deficit has had a greater detrimental effect on the value of the U. S. dollar.

Conclusions

This was the third email-forum organized by John Watkins in which I participated. The first, "Taxes without Tears," was on 10-16 October 2003. I summarized it in the September-October 2003 issue of Groundswell. The second, "Fair Share of the Commonwealth," was on 9-13 April 2004. I summarized it in the May-June 2004 issue of Groundswell.

All three email forums were useful experiences for me. At the time they seemed to require inefficient expenditures of a major part of my time for several consecutive days. The messages were numerous and diverse. I believe that I learned more from the messages by others than I realized at the time. Also, the messages by Georgist colleagues Fred Foldvary and Jeffery Smith, in the two previous e-forums in which I participated, appeared to contribute to more general acceptance of Henry George's proposals by the participants in this third email-forum.

Most of the messages in this third email forum were by authors of introductory statements, John Watkins, and Miles Michael. The arguments did not appear to result in agreed conclusions. Many of my messages opposed the citizen's dividend, which was advocated by other participants. Contrary to these adverse attributes, my messages included a statement that our agreement on Henry George's proposals was more important than our disagreement on the merits of the citizen's dividend.

The present summary of the third email forum is limited to communicating a small portion of the total information. Brevity may be an important merit of this summary. I hope that readers find it interesting and adequately informative.

[Herb Barry may be emailed at barryh@pitt.edu] <<