

George's Economics of Abundance:  
Replacing dismal choices with practical resolutions and synergies

Mason Gaffney, October, 1993

Introduction: Resolutions vs. trade-offs

It is part of George's genius that his proposals solve one problem by resolving it with another, turning two problems into one solution. It is something like tuning up the orchestra for a concert, turning dissonance into harmony, and keeping the beat together, turning cacaphony into rhythm. It is the mark of good solutions that they reconcile and resolve, rather than simply "trade-off."<sup>1</sup>

That is what George means when he writes that "the laws of the universe are harmonious." That is what Founding Fathers like Washington, Jefferson and Franklin meant by a "natural order." Like them, George is a deist in spirit, a believer in the consistency of the universe. The concept that some things are more "natural" than others is not arbitrary. The clue that one has found the "natural" law is that it makes forces harmonize and team together instead of clashing, and neutralizing each other.<sup>2</sup> The principle of constructive synthesis - a touch of Hegel - is

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<sup>1</sup>If you ever immerse yourself in mathematics deeply enough to find different proofs of the same proposition, you recognize the epiphany when it all comes together, and everything supports and confirms everything else. Then you know you have the right answer. Good ideas and good policies support and reinforce each other.

<sup>2</sup>In this view, the "natural harmony" is recognized by its power to reconcile. Deadlocks and standoffs resolve into teamwork, yielding gains at little or no cost. Today, philosophers may avoid terms like "natural law." Call it what you will, it is a powerful idea and a worthy goal. Fashions and terms change: principles endure.

another way of perceiving the value of turning cacaphony into harmony.<sup>3</sup>

Economists today offer us mainly "trade-offs" and hard choices. For every good thing we must give up another, so net gains are just marginal. That is the approved posture: it makes one seem hard-headed, worldly, and practical. Too much positive thinking sounds suspiciously optimistic, and invites rebellious cynical muttering that "there ain't no free lunch." It goes back at least to Malthus, who offered mankind the hard choice of food vs. sex. That sort of thinking is what made people call economics "the dismal science."

A true resolution is much more to be desired. To get one good thing we get a second one as well. It is remarkable how many "hard choices" are turned into benign resolutions in George's program. He is a genius at finding the essential harmony of interests now concealed beneath confused thinking. Instead of a dismal trade-off, there is a "free lunch," or "synergy": the whole is greater than the sum of its parts. Such grand resolutions, when possible, deserve to be called "true win-win solutions."<sup>4</sup>

The most obvious such true win-win solution is putting the unemployed to work. Recognizing this truth is no monopoly of George: Keynesian economists long insisted that there is no social cost in putting the unemployed to work. It is a measure of the bankruptcy and myopia of many economists today that even those voices are muted, and that obvious gain is denied: working is called a "sacrifice of leisure," just another trade-off.

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<sup>3</sup>Richard Noyes recently published Now the Synthesis. A synthesis is a reconciliation and resolution, a harmonious blending of the best of what had appeared (or had been made to appear) to be clashing forces between which hard choices must be made.

<sup>4</sup>As commonly used today, "win-win solution" is just a euphemism for a trade-off, in which the loser of a resource "wins" by getting paid. Often it is worse: the "winnings" of one or both parties represent resources stolen from the public domain, while concealing the loss to the public.

Unemployment has become "job-searching."<sup>5</sup> It is more likely a sacrifice of burglary, vandalism, drug-use, jail time, loitering, looting, collecting welfare, and sullen misery. Trading such bad time for the gratification, pride, on-the-job learning, and moral uplift of working is not a trade-off, but a double gain. It is a true "free lunch," if you will.

Many economists today react to such ideas with reflexive disbelief. They put down optimistic claims by calling them "panaceas," too good to be true. ~~T~~ANSTAAFL<sup>6</sup> is their slogan; cynicism their preferred posture. However, false pessimism is just as false and damaging as false optimism. A truer slogan is TITSTAAFL: "There Is Too Such a Thing As A Free Lunch." It's rather a question of WIGGI?: "Who Is Going to Get It?". Many dismal alleged trade-offs are just someone's mental blocks that stand athwart the path to abundance, or, worse, ways to control and exploit us. Often, in fact, "we can have it all." Is it too good to be true? Let us itemize the many resolutions of alleged trade-offs and standoffs that George's program will achieve.

Two of George's resolutions are to reconcile efficiency and equity, and to square taxes and incentives. That is a good start, and a compelling vision. What more can a reasonable person ask of economic policy than to resolve these ancient basic standoffs that have confused and divided us, blocked understanding, deadlocked constructive action, and seized up the polity for generations? It is an achievement on a par with resolving Evolution and Creation, except George's program is something we can do something about and put to use. As we proceed, however, we will see sixteen such resolutions in George's program.

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<sup>5</sup>Before long, some economist will proclaim that sleeping on heating grates is "home-searching."

<sup>6</sup>"There Ain't No Such Thing As A Free Lunch."

## 1. Equity, Efficiency, and Incentives

### a. Equity and efficiency

George refutes the commonplace idea that we must choose between equity and efficiency. This idea is premised on identifying "equity" with price and rent controls designed to help the poor against the rich; or with counter-incentive progressive income taxation, with its warping, suppressive effects. George rejects both price controls and progressive income taxation, and identifies a different tax policy that brings us both equity and efficiency together. He would untax productive activity, and instead base taxes on land, in proportion to its value. This combines the magic of justice with the magic of incentive.

George's land tax promotes equity toward the landless in at least four ways.

One, it relieves them of taxes, to the extent that landowners pay more;

Two, it makes jobs by removing all tax penalties from hiring workers, and also because the land tax, a fixed charge, spurs landowners to use land to earn cash to pay the taxes;

Three, while jobs are generating new money incomes, new production supplies more goods and services. Those give substance to the money incomes, precluding inflation such as poisoned the springs of Keynesian "fiscal stimulus";

Four, it offers the landless new chances to acquire land themselves, as old owners release surplus lands to the market.

### b. Reconciling progressivity and motivation.

A land tax abates concentration of wealth and power without limiting ambition or enterprise. It taxes wealth while sparing both capital and income. It puts no cap on ambition and

enterprise, except to redirect those useful traits into creation, production, hiring, and capital formation, and away from the zero-sum game of land-grabbing.

It requires no incentive-warping progressive rate: all land is taxed at the same rate, in proportion to value. The tax achieves progressivity by using the observed reality that wealth rises with income, faster than income; and landholdings rise with wealth, faster than wealth. Otherwise put, the land tax offsets concentration because ownership of wealth is more concentrated than income; and ownership of land is more concentrated than other forms of wealth. As George said, "The great cause of the concentration of wealth is concentration of the ownership of land."<sup>7</sup>

At the state or local level, George's program is the answer to California Governor Pete Wilson's dilemma, and every governor's dilemma: it untaxes and attracts capital, and encourages capital formation, without giving away the store, or untaxing the rich, or starving the schools and police. It raises state revenues from the richest people while attracting business and wealth with the very same stroke. The unique, remarkable quality of a property tax based on land ex buildings is that you may raise the rate with no fear of driving away business, construction, people, jobs, or capital! You certainly will not drive away the land, however high the tax rate. Not one square foot will walk out of town. The only bad thing to say about this tax's incentive effects is that it stimulates revitalization, and makes jobs. If some people think that is bad, maybe they are the problem.

So George's simple program not only reconciles efficiency and equity, it squares taxes and incentives.

## 2. Reconciling demand side and supply side economics

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<sup>7</sup>Data in support of these points are found in M. Gaffney, "The Taxable Capacity of Land," bound herein; and in M. Gaffney, "The Property Tax is a Progressive Tax," on reserve.

a. Aggregate. Consumption and production

George's tax program stimulates both the demand side and the supply side. Here is the gist of why it works where other methods fail. A land tax spurs landowners to use land to earn cash to pay the taxes. A land tax creates pressure on owners to hire and produce more; other taxes create pressures to hire and produce less. That works because it is a fixed charge: it cannot be avoided by underusing land, and it is not increased by using it. It applies leverage to landowners, just as would a fixed debt service. Leverage means that a landowner, by raising gross output 20%, for example, may raise his net income by 100%.

On the demand side, to repeat, it makes jobs by removing tax penalties from hiring workers and creating capital. Second, a land tax creates pressure on owners to hire more; other taxes create pressures to hire less. Third, untaxing capital and its income raises the incentive to invest, answering those who still dispute Say's Law. Fourth, tax revenues are spent locally (whereas rents paid to absentee owners are spent distantly).

The program operates at the same time on supply. Unlike the travesty of supply-side stimulus offered from Washington these last several years, this is supply-side economics with a real kick. It works through tax transformation rather than tax reduction.<sup>8</sup> This is "true fiscal stimulus." A land tax creates pressure on owners to produce more; other taxes create "fiscal drag," i.e. pressures to produce less. We can raise taxes (if desired), and stimulate supply in the same stroke: there is no hard choice to make between them. The increase of supply gives substance to the rise of demand: there is a flow of new goods to meet the flow of new demand. This precludes inflation, the fatal flaw in Keynesian "fiscal stimulus" (which is all on the demand side).

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<sup>8</sup>The total tax take may be raised or lowered, as a separate issue.

Georgist fiscal stimulus achieves full employment not only without inflation, but also without deficits. The stimulus works through the motivational effect of the tax on landowners. Unlike other taxes, stimulus rises with the rate of taxation. We may run surpluses and retire debt, pumping capital into the private sector, while still providing fiscal stimulus from government. That rise of land taxes will not lower, but raise the MRORAT (discussed next).

b. Investing and Saving

Untaxing new investing raises MRORAT (the marginal rate of return after taxes). This is what Keynes called the "marginal efficiency of capital," which he identified as "the inducement to invest." To demand-siders, it is the motor that drives the macro-economy, raises national income via the multiplier effect, and offsets the propensity to save.

Georgist tax policy raises MRORAT in at least three ways. First is the obvious lowering of direct taxes on capital and its income. Second is the lower payroll tax, part of which is borne by investors when they hire workers. Lowering this tax raises returns to investors, especially to those who invest in labor-using operations. Third is the higher pressure on landowners to attract capital and hire labor. A fourth way is cumulative: any policy that has basic stimulative effects raises aggregate demand, which in turn raises investor "animal spirits" in a benign upward spiral.<sup>9</sup>

Untaxing buildings obviously draws in outside capital, which is good locally, but is not capital formation to the whole economy. In Keynesian models, higher income leads to higher saving, and does create new capital. Supply-siders today worry more about raising the rate of saving from any given income. In supply-side models it is more important to increase the rate of

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<sup>9</sup>The common Presidential practice of trying to raise spirits by "jawboning" is a recognition of this effect. Jawboning alone is usually transparent and futile, however: there must be substance first; then, jawboning is not even needed.

saving, without depending entirely on the Keynesian effect, where higher income raises saving. Also, from the nationalist viewpoint, it is better to supply investable funds from domestic savings, to minimize foreign ownership.

Land taxation helps here, too. Land taxation, if heavy enough to count, lowers the investment value of land, through "tax capitalization". There is a diminishing marginal utility of savings to any wealth-holder, meaning the more you have, the less you need more. With land devalued, those needing wealth seek substitute assets to replace land in their portfolios. To acquire those additional assets they must save more, and invest the savings in real new capital, rather than land.

Thus, Georgist taxation meets the proper goals of supply-side economics: raising output, and raising saving. It reconciles supply-side economics with taxation by providing a mode of taxation that stimulates instead of dragging down production and employment.<sup>10</sup>

### 3. Micro "structural" reform coupled with macro reform

A weakness of Keynesian policy is its scorn for structural reform, e.g. combating monopolies and sticky markets. It relies solely on Federal fiscal policy. Its focus is so narrow that even monetary policy, which seems so closely allied in spirit, is regarded as rival rather than complementary. Thus, when inflation pricked the Keynesian bubble, there was little left to offer except the dismal Phillips Curve trade-off.

Georgist policy improves the structure of the economy in at least five ways.

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<sup>10</sup>What Georgist policy does not meet are the improper goals of supply-side economics, that is camouflaging unearned incomes as needed stimuli for capital formation and production. Alas, this is how "supply side" has actually been misused in Washington these last several years.



a. It erases the "wedge effect" of indirect taxes, while maintaining tax revenues. This might be called a "True Laffer Curve effect" - what Laffer and Reagan promised in 1980, but Reagan could not deliver. The wedge effect is both warping, and, in the aggregate, anti-incentive.

b. It actually lubricates the land market in the very process of extracting more tax revenues from it. It is better than "neutral" (lacking in wedge effects). It subjects landowners to a cash drain that is more potent than mere "opportunity cost" in prompting landowners to put land to its "highest and best use," i.e. to allocate it optimally in the manner prescribed by economic theory. The writer has developed this point elsewhere.<sup>11</sup>

c. It combats monopoly restriction of output by making it costlier to withhold land from use. Likewise, it combats monopsonistic exploitation of workers.

d. It unlocks urban land markets that are frozen up by the tendency of firms to buy and hold land for possible future expansion. This is a form of vertical integration which, like all withholding actions, is self-reinforcing and self-validating, hence cumulative in its impact. That is, if A and B are tying up surplus land for their possible future needs, that forces C, D, and E to do the same because they cannot rely on the open market to supply the land when and if needed. A fortiori, speculative preemptors who hold key parcels to profit from others attempts to assemble buildable parcels, or to compete in key markets, force others to do likewise in self-defense. The pooling function of the free market is impaired. Conversely, the gains from correcting such market failures are also self-reinforcing and cumulative, providing us with many "free lunches."

e. It makes landownership more available to small business, and new businesses, by lowering the market price of land. It

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<sup>11</sup>"Land as a distinctive factor of production," bound herein. "Tax reform to release land," on reserve.

substitutes a deferred annual charge for a high price up front. This has the same effect as extending credit to all market agents on identical terms, thus offsetting the otherwise overpowering bias of credit rationing and discrimination in lending. Large surpluses of land are released to the market as the tax cost of withholding land forces it to be sold.

It should be apparent that each of those effects helps markets work the way competitive theory says they should. Their aggregate effect is overwhelming. Some Georgists have made their case on structural grounds alone. We have seen, however, that these are in addition to the macro effects.

#### 4. Local, state, and national applications

Georgist policy can be applied at any level: local, state, or national. To some extent it is even applied at a world level, through the U.N., with its concept of "common heritage" applied to oceanic resources of the deep seabeds.

Georgist tax policy can also be applied at any tax rate, low or high. A low rate does a little good; a high rate does a lot of good.

In this Century, strenuous efforts have been made to box the property tax into the local level, where local particularism tends to cap the rate. In England, this policy is identified with the half-brothers, Austen and Neville Chamberlain. Neville was so successful that in 1938 he was forced to face Adolf Hitler without any armed support, with the disaster at Munich. In America the Federal government last taxed land in the Georgist manner during the Civil War. After 1913 it taxed the income from land, but in recent years the income tax has degenerated into a payroll tax primarily. In tandem with the other payroll tax it has become a primary cause of our depressed labor market.

In 1920, about half of all state revenues (not counting local) came from state property taxes. These tended to focus on land, rather than capital, much more than now. Both the state

and Federal governments could tax land again, any time the voters send that message.

#### 5. Relieving labor without burdening capital

Georgist tax policy would downtax labor without uptaxing capital, and without lowering public revenues. That is possible because the economic world is not dualistic. There is a third factor, land, which George would tax instead.

The taxable capacity of land is surprisingly high. It has been concealed conceptually by many sophisms inherent in modern economic theory, and concealed statistically by rolling land rent into other categories. A good deal of potential rent has also been aborted by the counterproductive tax methods used on buildings and labor. This is a big topic, treated in "The taxable capacity of land," and "How to revive a dying city," bound herein, and "Adequacy of land as a tax base," and "The synergistic city," on reserve.

A great deal of latent rent would be generated by new, full development. It is not just the individual sites that matter here, but the synergistic community effects of active renewal and full, timely development. The positive neighborhood effects of replacing old buildings with new are irresistible and contagious, raising land prices all around. The converse is also true: the negative neighborhood effects of letting old junkers stand without replacement are depressive. Thus, when you take the tax off new buildings, and put it on the land under old tumbledowns, you kick off a general process of revitalization that turns gloom into hope into optimism: optimism that boosts land prices and the land tax base.

New development likes to anchor onto healthy neighborhoods. Richard Hurd, father of urban studies in America, taught us in 1902 that land values are marked by continuity in space. It's still so. Fashions and technology change, but principles endure.

Even Heinrich von Thuenen, father of location theory, approached cities in an arid, antiseptic way that left out most of the sperm and egg, enzyme and ferment that today we call urban linkages and synergy. George was a mensch, like Holly Whyte or Jane Jacobs, seeing cities in intensely human, interactive terms. George saw cities as foci of communication, cooperation, socialization and exchange, and these as the basis of civilization. He saw cities as the new frontier, an endless series of new frontiers because the city as a whole enjoys increasing returns: the presence of people with good mutual access, associating on equal terms, expedites cooperation and specialization through the market. Multivariate interactions in cities are synergistic. Indeed, while each part -- each parcel of land -- is developed in the stage of decreasing returns, the composite city is generally in a stage of increasing returns, thanks to synergy: the whole is greater than the sum of its parts, and increases to the whole yield more than the sum of increases to the parts.

Urban blight is cumulative and self-reinforcing: blighted buildings cast a pall on land around them, discourage upkeep and stifle renewal. Whatever slows renewal of one site therefore slows the neighborhood, which reflects back blight to the first, a vicious downward spiral.

Conversely, new buildings help stimulate renewal around them.<sup>12</sup> The rule is that new buildings draw tenants from old and weaken other Defenders so other owners have to renew, too. When they do, where better than next to the newest, hottest building? So renewal is cumulative, just like blight, only upwards in a benign spiral. A benign spiral is a "free lunch," the kind that cynics say "there ain't no such thing as." These matters are treated in the works cited above.

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<sup>12</sup>There are exceptions. Some new buildings, especially banks and corporate headquarters, sterilize a block with blank walls. I will not defend that, but the exception is not the rule; the abuse is not the precept.

When a city untaxes buildings its land prices, the new tax base, are pushed up. Competition for sites raises the tax base - not buildings, now, but land prices derived from ground rents. Using the higher base the city can improve public services, if needed, but without taxing any building, without scaring away any generators of fiscal surpluses. In this scenario, buildings raise the tax base indirectly, by raising the value of land around them. So do productive people, when their wages are not taxed away.

Land prices are raised just by the expectation of new buildings' being tax free. The mere expectation will immediately boost the value of land, even before the new buildings go up.

#### 6. Urban renewal without subsidizing evictions

Georgist tax policy helps renew cities, without subsidizing or administering teardowns and "clearance" of old buildings and neighborhoods. Georgist policy does not speed renewal by penalizing old buildings, but by encouraging new ones. It does not subsidize new ones, it just stops penalizing them. Teardown is never an end in itself; it only comes when incidental to releasing land for new buildings of greater capacity. This matter is covered in "How to renew a dying city," bound herein.

#### 7. Contains urban sprawl, improves urban linkages among complementary land uses, without overriding market choices.

a. Taxing land sharpens market incentives via the leverage effect noted earlier. Thus it makes the land market work better, and follow its natural infilling, centralizing tendency. Curbing urban sprawl does not overrule the land market; it is a byproduct of making the market work better. Richard Hurd, as cited above, noted that land values are marked by continuity in space. That means the market is telling owners to develop land contiguously; to anchor new building to established strength. Sprawl, then, is not market driven, but market-defying. It is the product of

market failure. Georgist taxation makes the market work better.<sup>13</sup>

b. Fosters resident ownership, civic participation

Riverside, CA built itself a lovely downtown pedestrian mall, back when that was in vogue, and has been sorry ever since. Nothing worked out, retailers deserted, and half the stores are empty. Recently I asked the developer of Tyler Galleria, a success, why he thought downtown failed, and got the answer in two words: "absentee ownership". I should have known, I've preached it for years.

An agricultural adviser in Fresno once told an impressionable boy "The best dressing for soil is the owner's shadow, applied daily". In town they say "Who's keeping the store?" Absentees aren't the only negligent owners, nor are they all bad. Torpid owners are the problem and they come in many forms. Basically, to make a city go you want to be rid of owners who see real estate mainly as a cash cow for their retirement, and replace them with owners who see it as a vehicle for their enterprise, who "apply their shadows" daily. Those shadows will also follow them into local civic clubs, and enterprising downtown and neighborhood associations for making joint improvements.

8. Reconciles common rights to land with private tenure

Georgist policy harmonizes collectivism and individualism; government and the market; common rights and private tenure. It has been called "commons without tragedy," because it lets common-access resources like fisheries and open ranges be closed off, without destroying common rights. The principle is simple and basic. Common lands, with open access, become overcrowded. Optimal management calls for restricting entry and usage. Entry

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<sup>13</sup>This theme is developed in "Land planning and the property tax," bound herein.

is limited by issuing licenses (or leases, permits, concessions, possessory interests, etc.). However, instead of giving these away gratis, as is the current practice, they are leased out annually to the highest bidder. Thus, those excluded are compensated, while those included get only what they pay for.

As to land already in private tenure, taxation asserts common rights to the income of that land, without impairing private tenure rights. Indeed, private tenure is strengthened when the owner can truly say "This is my land, I pay the taxes on it." Squatters, trespassers, and vandals may be evicted with a clear conscience: their common rights have been protected otherwise, through the tax system. Thus, the policy reconciles common rights and heavy taxation with the free market and strong private tenure rights.

In addition, taking tax revenues from land lets capital and labor go untaxed. Private property in labor - the basic right of a person to himself, as posited by John Locke - and private property in capital, the right of a person to the full value of what he saves, are strengthened.

#### 9. Paying the debt while also making jobs

President Clinton has adopted a policy based on the premise that Keynesian "fiscal stimulus" is really "crowding out," so paying the debt can stimulate the private sector via "reverse crowding-out." The problem here is that it is based entirely on pushing more investable funds into the private sector, with nothing to raise the demand for those funds.

Georgist taxation lets the debt be paid, while at the same time raising investing opportunities in the private sector, as shown above.

#### 10. Making labor cheaper to hire without lowering wage rates

Georgist policy removes the many big tax wedges between worker and employer, and employer and customer, and worker and consumable goods. Thus labor can cost the employer less, while the worker gets more disposable income after-tax. Many economists inveigh against the minimum wage, claiming it overprices labor. It is a matter of suspicion that they are then silent on the deadly effects of the payroll tax, which affects workers at all levels. Sales taxes, too, cut into real wages, yet many of these same economists would raise sales taxes and introduce VAT. President and Mrs. Clinton now speak seriously of raising payroll taxes even more, to finance the new health plan.

There is a high elasticity of demand for labor. This may be observed in farming, for example, where landowners have avoided union wage rates simply by shifting their land from fresh fruits and vegetables to labor-sparing uses like small grains or cotton. Conversely, removing the payroll tax burden will move owners to shift land back into labor-using enterprises.

#### 11. Adding people and capital w/o diluting resource base

Georgist policy lets a region, nation, or the world add population and/or capital without diluting its resource base. It is as though rescuers pulled drowning people into a lifeboat, and their presence made the boat expand instead of sink! Call it "The Accommodating Lifeboat Theorem." It sounds like the Miracle of the Loaves and Fishes, but it is a different kind of miracle: synergy. It comes from the power of enlarging the market, as described by George in his chapter on the effects of increased population, and Adam Smith in his aphorism, "the division of labor is limited by the extent of the market." An indication of it is that bigger cities around the world have more land value per head than small ones, as documented by William Alonso.

We must temper this claim. Bigger cities are often located on better land, so size isn't all that accounts for Alonso's finding. However, more than sheer size, and more than good natural location, is the internal circulation of a city. Georgist policies are essential to financing good circulation,



containing sprawl, and inducing private land development complementary to the circulatory system.

12. Fostering economy in government in the very process of raising revenue

Anti-governmentalists often identify any tax policy with public extravagance. Georgist tax policies, on the contrary, help save public funds in at least two general ways.

a. Putting the unemployed to work saves many public costs, like welfare, obviously, crime-fighting, and, ultimately, putting down civil disturbances and insurrections.

b. Putting the unemployed to work also raises demand and, by so doing, helps make plain to all the desirability of unleashing supply. Now, supply in some industries is deliberately held down to support prices. U.S. agriculture is a good example: supply restraints are transparent because they are matters of public law. The U.S.D.A. pays landowners to fallow some 60 million acres each year, to raise food and clothing prices. Under Georgist policy those acres would go to work producing food and paying taxes, both.

c. Georgist policies obviate subeconomic extensions of public works, which now are pushed by the powerful combination of land speculators seeking increments, the jobless seeking work, and the homeless seeking shelter. Georgist policies open up the naturally better land to settlement, thus relieving the pressure to invade flood plains, steep erosive slopes, flammable brushlands, wetlands, and other places that soak up heavy public funds to reach, develop, service, and protect.

At the same time, these policies deflate the "rent-seeking" motivations of land speculators to sue for state and federal aid. Under George's scheme, the unearned increments secured by "rent-seeking" lobbying for public works would be taxed away.

In the longer run it seems reasonable to expect that more genuine productive job opportunities at home would reduce the pressures for military spending, at least those portions which are strictly boondoggling of a make-jobs nature.

### 13. Enhance environment and conserve resources while making jobs

Georgist tax policy acts to abort subeconomic extensions of public works, as noted just above. Not only does this save public funds, it protects the environment. Saving public funds and saving wildlands and waters are perfect complements.

"Jobs vs. the environment" is the dismal trade-off offered by confused thinking. A Georgist economy is resource-saving as well as job-making. It saves resources by focusing human activities intensively on the lands that are used, leaving or releasing marginal lands for wildlife, recreation, wetlands, watershed protection, etc.

There was once a tendency for environmentalists to oppose human use of land wherever and whenever they could. Now, most of them are looking at the whole human system. The Sierra Club is supporting urban infilling, seeing that demands that are not met here are bound to pop up there. John Baden, a Pacific Northwest forest economist, sums it up in a few words: timber should be grown on lands that are flat, warm, wet, and near markets. Georgist tax pressure applied to those "Site I" lands will promote exactly that, leaving the steep, arid slopes for scenery, watershed, and recreation.

### Summary

Dismal trade-offs, deadlocks, and standoffs are just mental blocks and smokescreens. Henry George began with a quest for justice in sharing the rent surplus. He found that justice and efficiency are not at odds, we can have both. This trade-off that many economists expound is a stall, a put-off to enervate

and unman us so we won't do anything. It may ease the conscience to think justice must be sacrificed for efficiency, and schools starved and libraries closed to free up incentives, so nothing, really, can ever be done. We all feel compassion by nature but, to survive and stay whole in this world of beggars and bandits, learn to harden our hearts and cork it in. We learn to screen out evidence of suffering and injustice, and rationalize what we cannot deny. This mindset, while understandable, is unaffordable in a period of dangerous national decline, and growing division between haves and have-nots.

What we have shown here is not just that we can have both justice and efficiency, but more, we cannot have either one without the other. If we don't share rents efficiently, in the Georgist manner, social and political pressures will continue to cause inefficient sharing and eventual dissipation.

Economic discourse is afflicted with pessimists who firmly cling to mutually inconsistent positions at the same time, each posing an insoluble problem. Some, for example, believe the world is racing to starvation, and favor limiting demand through birth control, while in another context they deplore "overproduction," or "underconsumption," and favor choking off farm production to keep farmers from losing money. George, of course, would see demand as the answer to supply, and land as the field on which the twain may meet and satisfy each other, leveling them upwards.

Again, some favor cheap power and good roads for rural areas, regardless of cost, and then favor low-density zoning to keep people out. George, of course, would favor infilling to make full use of short interior lines at high capacity, and lower cost per customer.

#### A summary of reconciliations

Herewith is a summary of reconciliations that Georgist tax policy achieves.

1. Couples equity with efficiency.
2. Couples progressivity with motivation. Abates concentration of wealth and power while widening the scope of productive ambition and enterprise.
3. Makes more jobs without inflation. Raises demand-side and supply-side together, "leveling them upwards."
4. Raises both inducement to invest and inducement to save, at any income level. Also raises saving by raising income level.
5. Couples structural reform and macro reform.
6. May be applied at local, state, and national levels, together or jointly, in small degrees or large.
7. Relieves labor of taxation without burdening capital, and vice versa.
8. Renews cities without subsidizing evictions.
9. Contains urban sprawl, infills and coordinates cities without superimposing planning on the market.
10. Fosters resident ownership and civic participation without laws against absentee ownership, or other use of compulsion, but in the very process of lubricating land markets.
11. Asserts common rights to land while strengthening private tenure. Permits of privatizing without giveaway.
12. Allows paying off public debts while fostering full employment through (true) fiscal stimulus.
13. Makes labor cheaper to hire while raising real wage rates (take-home pay, disposable income). Thus makes jobs without lowering wage rates or "making work."

14. Lets regions, nations, and the world add population and capital without diluting their resource bases.

15. Fosters economy in government in the process of raising revenue.

16. Saves the environment in the process of intensifying land use.

17. Smooths business cycles without depending solely on contra-cyclical fiscal or monetary policy. Stabilizes and secures financial institutions with only minimal regulation.

18. Effects land reform and redistribution abroad and at home, urban as well as rural, without government expense, and without acreage limitations, working through free markets.

19. Equalizes credit ratings for land buyers without any controls over lenders.

Epilogue: how the public demonstrates its preference for resolutions over dismal choices

Preaching hard trade-offs is not popular. Voters see through it as a confession of cluelessness. We hear a lot about voter apathy, but voters have responded positively at various times to candidates with positive resolutions, or apparent ones.

Remember the "Phillips Curve" of the late 1970s? "The public has to grow up and choose," the gurus said with some condescension. It's either inflation or unemployment. Soon the voters came up with a third choice, they retired those unavailing later Keynesians.

Next it was Reagan and Laffer, who said you can have lower tax rates and higher tax revenues, more defense and a lower deficit. Talk about panaceas! This one proved to be a fraud, but the voters loved it until they slowly realized the promise couldn't possibly be delivered.

Now it is the privatizers. They have learned to sell the product by soft-pedaling "trade-offs." Instead, they talk about "win-win" solutions, a new euphemism for trade-offs that camouflages them as resolutions, and hides the sneaky truth that much of the wins come from privatizing public property without compensation. The public will stop falling for it as they finally realize that most of these are really "win-win-lose" solutions, with the public as the loser.

30 years ago, it was "demand-side economics" (as it was later called). It was mostly Keynesian "fiscal policy," with some monetary policy, also demand-sided, as its Tweedledum rival. Keynes became popular because orthodox economists, unavailing, had reduced themselves to posing a hard choice. To escape from depression, they said, you must first suffer dismally: cut wages, consume less. It's like a hangover, you must repent of the good times you had in the roaring twenties. The voters rejected that preaching thumpingly.

Keynes had better news. He said you can have it all: raise wages, consume more, enjoy more public services, and in result find people saving more and working more! People who followed his ideas won elections for years. With all its faults and charlatanism, Keynesian economics was at least optimistic and hopeful. It lasted until his successors fell into the dismal trade-off mode of the Phillips Curve.

Before that it was the New Deal panacea: national planning. Before that, at least in the States under Herbert Hoover, it was business "Associationism": cartels, plus peace pacts, red-baiting, debt retirement, the corporate state, two chickens in every pot and a car in every garage. We know where that led.

Before those panaceas there was Henry George. He, like popular figures after him, was anything but dismal. He, too, said "we can have it all." It made his ideas very popular. We are often told that Georgism never really made it, but that is warped history. It never "took over" lock, stock and barrel, but it won substantial minorities, to whom real concessions were made. His ideas were at their political crest roughly from 1901-20.<sup>14</sup> They were incorporated into The Progressive Movement.

Unlike the other panaceas cited, George's never failed. It would be fairer to say it fell to the loss of young leaders in World War I, and the marathon Red Scare that dominated much of the world from 1919 to 1989. The Red Scare energized property defenders everywhere; by confusion, its victims included Georgism. It made Georgists pull in their horns until their

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<sup>14</sup>They were carried towards the top by such well-known figures as David Lloyd George in England, Alexandr Kerensky in Russia, Sun Yat-sen in China, hundreds of local and state, and a few powerful national politicians in both Canada and the U.S.A., Billy Hughes in Australia, Rolland O'Regan in New Zealand, Chaim Weizmann in Palestine, Francisco Madero in Mexico, and many others around the world. In the States, they were an integral part of the Progressive Movement, which for a time dominated both our major parties. In England, Lloyd George's budget speech of 1909 reads in part as though written by Henry George himself; some of Winston Churchill's speeches were written by Georgist ghosts.

message lost its vigor and excitement: its resolving qualities, which were derided as "panaceas." Now, with the fall of the Soviet Empire, is a good time to pick up where the Progressive Movement was aborted.