

(The Progress and Poverty substack essay contest winner)

In his *Discourse on Inequality*, Rousseau laments that we have been deceived to forget that “fruits of the earth belong to us all, and the earth itself to nobody.” How might society change if we remembered that we all have equal claim to natural opportunities? A person has a right to the fruits of their labor, but it seems that over time we’ve forgotten that no individual created the earth. No person labored with a hammer and chisel to build the mountains, or with a gargantuan backhoe to carve the valleys, yet as a society we have acquiesced — like Rousseau’s man in the state of nature, to the idea that an individual may own something that no person had a hand in creating. What would the world look like if we refused to lay down before the right of conquest (where this right to privatize the common heritage of all mankind ultimately stems from) if we took the advice of economists like Henry George, of founding fathers like Thomas Paine — and returned the fruits of the Earth to the people?

Henry George defined economic rent as “the part of the produce that accrues to the owners of land (or other natural capabilities) by virtue of ownership.”<sup>1</sup> There is a crucial difference between this *economic rent* and the rent you might pay for a house, apartment, or piece of machinery. George further clarifies, “In the economic sense, rent means only what is paid for using land ... anything paid for buildings or other improvements is compensation for the use of capital. This is properly called interest.” In the economic sense, rent is by definition *unearned revenue*. In contrast to the kind of rent paid for the use of something created through human effort, economic rent is not earned through effort at all, but instead comes from a government enforced monopoly on the use of a natural resource.

A city pays for a new subway line, a couple opens a bakery downtown, a kid opens a corner lemonade stand. All of these increase the amount that a landowner can charge simply for the privilege of using land near these amenities. The value is generated collectively — the landowner collects the economic rent privately.

## **Changing Communities**

Enforcing the privatization of collectively generated value has twisted our society's potential and inculcated the majority to a grotesque reality. The widespread effects of this flaw in our economy have been obscured by time and tradition. However, if we look carefully at different areas of culture and society, it becomes overwhelmingly obvious that by eliminating the strangling obligations placed by economic rent upon the many to the benefit of the few, culture and society would be made fundamentally more dynamic and free.

It has practically become a truism that society is more divided today than in the past. In an economy where over time more and more collectively generated value is unethically expropriated from the people, generating soaring inequality<sup>2</sup>, is it really a mystery why Social trust is on the decline? It's clear that people have a strong intuition that a flaw exists within our economy, and are rightfully concerned about its exploitation by the few to the detriment of the many<sup>3</sup>. Georgism addresses this problem by eliminating the most pernicious form of inequality, the kind of inequality that stems from a class of allegedly equal citizens benefiting from unearned and unjustly acquired privileges. Occupations like land speculation, which depend on the collection of economic rent in order to be profitable, will cease to exist under a Georgist framework. Those that own land will do so because *they value it personally*, not because they can make a quick buck by siphoning off collectively generated value in the form of an economic rent. This shift in the culture surrounding land ownership would result in the revitalization and development of rural and suburban communities. The days of strip malls and vast parking lots kept underdeveloped and deprived in order to avoid property tax would be over. Speculators would no longer be able to lock up land for development along the planned paths of highways and other utilities in order to cash in on its increasing value. Families that live paycheck to paycheck would no longer be forced to the margins of social services like fire stations, police, and schools — striking at one of the contributors to cycles of poverty.

Entire communities, especially in urban areas where the bane of limitations on land use and speculation are felt most acutely, would be born out of the application of Georgist principles. Economic incentives would shift, causing housing prices to fall as speculators are turned into developers. Rising supply, reduced barriers to construction, and increased competition are the results — all of which lead to more affordable housing and dynamic growth in the heart of the

world's most prosperous cities. As a consequence of eliminating the artificial right to collect economic rent from the community, we also eliminate the economic pressures that make problems like homelessness seem so intractable.

With a decrease in the cost of living generally, average people would be more free than ever before to spend time engaging with their communities. The economist Frédéric Bastiat wrote at length about what is seen and unseen in the economy<sup>4</sup>. Even though we can't know for sure what kind of cultural and social developments would spring from this kind of widespread community revitalization, it is plain to see how the burden of economic rent constricts our social development.

More dynamic communities, greater social cohesion, a striking reduction in poverty and homelessness, and an economy without the distortionary effects of taxes on human effort and ingenuity. This is all possible through proposals like land value taxation that distribute collectively generated value to the community, instead of enforcing its private capture. Ultimately, a broad application of Georgist principles means the correction of an injustice that has been perpetuated since the first man was able to enforce ownership over natural opportunities. It means a fundamental change in the social consciousness about what each person is entitled to and why.

### **Changing Mindsets**

The injustice of private capture of the natural opportunities available to all mankind has been with us for ages. Each modern-day land owner or possessor of some other title to collectively generated value can, in truth, trace their title back to some kind of theft or forced enclosure. The modern landlord claims their legitimate ability to collect economic rent by virtue of the fact that they bought the land from the owner before them, who claims the same thing, all the way back, as Rousseau says, until we reach the first person in the chain of ownership, who simply says "this is mine" and has bullets enough to prove it.

Even though the productive capacity of an individual worker, due to education and technology, has skyrocketed over time, crushing poverty exists within the world's richest cities. This is in no small part thanks to collectively generated value, instead of being distributed to the community that creates it, being privately collected. Under a Georgist framework, value generated collectively

through community improvements and public investment is distributed to all members of the community while value generated through private investment remains private. This is in contrast to the current patchwork of state-enforced monopolies that guarantee both parts, the collective and the privately generated value, are collected privately.

Our current methods of redistributing wealth generally draw from taxes on human effort, in other words, things people have a legitimate property right to. There is no concern for what each person is naturally entitled to (their share of the value of natural opportunities), only some centrally planned notion of what the impoverished *need*. This, of course, leads to never ending conflict between those who would see the poor starve if it meant they could save a few dollars on their taxes, and those who think that taxing human effort, labor, and ingenuity is the only way to assist the impoverished. A broad application of Georgist principles would completely destroy this dichotomy. If and when natural opportunities are valued, taxed, and distributed through a scheme of negative income tax or basic income<sup>5</sup> as well as through social services, it fundamentally shifts the frame of the conversation. The modern approach to social programs dehumanizes beneficiaries by treating them as a collection of needs to be met as inexpensively as possible. A Georgist approach, instead of dehumanizing the beneficiaries of social programs as problems to be solved, would ground discussion about social welfare in a baseline level of human dignity. Our approach sees all people as truly equal members of society who have a right to their share of the collectively generated value.

By recognizing that collectively generated value belongs to all of us, we would establish an absolute floor of prosperity that no person may fall through, not because we're feeling benevolent, but because an equal share of the value of natural opportunities is the *entitlement of every person*.

This baseline level of human dignity would no doubt influence social expectations regarding work, even for those who are not in poverty. When we establish that each person is entitled to their portion of the value of natural opportunities, the result is that employers must compete with this baseline. By giving each person their rightful share of collectively generated value, the social expectation changes such that *work is no longer a means to survive, but a means to improve your condition beyond what is naturally entitled to you*.

## Changing Hearts

A world where to own land means only to have exclusive rights to its use, but not the right to collect economic rent from it, would create a more compassionate, kind, and global community. Deferring to Rousseau once again, “How many crimes, wars and murders ... horrors and misfortunes” can we attribute to the current conception of land ownership. Setting aside the tragedy that we will never know what could have been if we had from the start detached ownership of the natural opportunities of the Earth from the right to exclusively use a piece of it, think of all the wars that were caused by one king or nation getting the idea that their claim on a piece of the Earth was worth more than the current inhabitants’.

A Georgist framework sees natural opportunities as the common heritage of all people, rather than the property of whatever person or group has the ability to press their claim through force. By adopting this framework, we would finally correct the historical wrongs of those first conquerors and kings that divorced the people from the value they created through the exploitation of economic rent. No doubt this would assist in the long term decline in those prejudices and jealousies that stem from the most vulgar kinds of nationalism, that sees natural opportunities not as a common heritage, but as property to be exploited to the benefit of the nation and the detriment of the individual.

With a climate crisis jeopardizing the lives and livelihoods of so many, seeing the Earth and its natural opportunity as a shared common heritage rather than as an opportunity to be privately exploited would certainly make people more conscious of the environmental impact of decisions. Empirically even, the kinds of more dense development that would be incentivized under this framework would be much more environmentally sustainable than the kind of never-ending sprawl that is incentivized by our current tax structure<sup>6</sup>. It makes sense that living more in harmony with the environment would be the consequence of giving people a true stake in the value of natural opportunities.

We would be tied together by free trade and free movement, as people from all over the world would now have the freedom to explore the full breadth of what humanity has to offer. This is a boon in itself, but also important is the idea that exposure to more cultures and people can reduce prejudices among people who might not have otherwise interacted with cultures outside of their own. As the world becomes more globalized and intertwined, doing what we can to increase

cultural acceptance is going to be extremely important. A system and social consciousness that recognizes our common circumstance of having to find an equitable way to share the world is necessary to prepare us for the future.

### **Society Set Free**

Jean-Jacques Rousseau's full quote from his *Discourse on Inequality* reads, "The first man who, having enclosed a piece of ground, bethought himself of saying, 'This is mine', and found people simple enough to believe him, was the real founder of civil society. From how many crimes, wars and murders, from how many horrors and misfortunes, might not anyone have saved mankind by pulling up the stakes, filling in the ditch, and crying to his fellows, 'Beware of listening to this imposter; you are undone if you once forget that the fruits of the earth belong to us all, and the earth itself to nobody'."

Though the average modern land owner can hardly be blamed for existing within a flawed system — it is undoubtable that our current scheme of land ownership that expropriates collectively generated value through government force stems from the rights alleged by conquerors and nobility to exploit the land and the people on it. No faith in historical materialism, or reactionary appeals to the nation will solve this problem. The only way to undo this injustice is to return to the people the value of the natural opportunities that they have been divorced from. Once this is done, and we have finally actualized the principle that all men truly are created equal, the profit of our newly free culture and society will, like the Earth, become the common heritage of us all.

1. *Progress & Poverty* Chapter 11: *The Law of Rent*<sup>2</sup>.
2. Kawachi, I., & Kennedy, B. P. (1997). Health and social cohesion: why care about income inequality?. *BMJ (Clinical research ed.)*, 314(7086), 1037–1040. <https://doi.org/10.1136/bmj.314.7086.1037>
3. <https://www.pewresearch.org/politics/2014/06/26/section-3-fairness-of-the-economic-system-views-of-the-poor-and-the-social-safety-net/>
4. <http://bastiat.org/en/twisatwins.html>
5. <https://www.vox.com/policy-and-politics/2017/7/20/15821560/basic-income-critiques-cost-work-negative-income-tax>
6. <https://www.cato.org/blog/urbanization-good-environment>

