

Full Employment through Total Tax Reform

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PART I: RAISING OUR SIGHTS

It is a great honor to suggest keynotes for our conference. I have eight: think big; think positive; think modern and future; think synthesis; think relevant; think mutual support; and think doable. That's seven. The eighth is, with all your thinking, act.

First, Think Big

William Bradford, Governor and historian of the Plymouth colony, knew that his story dealt only with a desperate few exiles, remote from power and culture. In that isolation and weakness he had the spirit and the foresight to claim this:

"As one small candle may light a thousand, so the light here kindled hath shone to many ..."¹

About a million Americans now claim descent from Bradford, but millions more have received and passed on his light, and social institutions he pioneered and recorded. The Pilgrims were few, but they thought big because they were organizing a total society.

We, too, are thinking for a total society. Dare to think big, or relapse into mediocrity and forget it. Faint heart ne'er won fair shares. We are custodians of an Ark bearing a great covenant for better forging the social compact—a covenant with a good deal of Bradford in it, at that (and in Bradford was a good deal of Moses). We may seem to be few, heretics and dissidents in the dark and cold, far from flames of power and influence. Yet our candles, too, may each light thousands more. Full employment and total tax reform sound ambitious, but are we not so? Small issues play to small houses: we are cut out for greater things.

We have little competition at this time. The public wants light and answers; the reigning seers have none to offer. They are in black holes, reduced to oxymorons like "jobless prosperity," and "recovery is here, but it is slow"; tautologies like "the solution to unemployment is more jobs"; and nonsense like "it is puzzling that so many are out of work, in spite of the recession having ended." It reminds one of 1931 when mainstream economists, conditioned only to rationalize the system, had no stronger term for what they observed around them than "a period of slack business."

There is a lesson in last week's Polish vote. Poles struggled heroically under Lech Walesa to overthrow Communist oppression. After four years of IMF direction, with imported standard-brand economists from Oxford and Harvard, they went to the polls, repudiated Walesa, and freely voted back the Communist party. The year before, it was Lithuania; next month, maybe Greece; next year, maybe Russia.

¹William Bradford, *Of Plimoth Plantation*, 1648

To the *Sydney Morning-Herald*, the Polish voters seemed ungrateful. Freedom had brought them prosperity, yet labor was discontent just because of—fancy this!—lower real wages, higher unemployment, and higher taxes. The *Herald* did not define "prosperity," but apparently labor is not part of it. What, to the *Herald*, measures the general good? Unearned rent-taking?

On the right wing, the American Paul Craig Roberts states the only way to stanch our deficit is to raise payroll taxes. On the left, Professor David M. Gordon writes we must raise deficits and force our central bank (the Federal Reserve) to lower interest rates. With rival gurus riding off in all directions, Georgists have no coherent, organized competition. Therefore, be immodest. Step forward boldly with your lighted candle. Millions are seeking light, and finding little.

Second, Think Positive

This July in Los Angeles the American Council of Georgist Organizations (CGO) had a wonderful time at our annual conference reveling in current success stories. We also reported candidly on setbacks and backslidings, but did not give way to gloom and self-hatred therefor. Sniffing over bad news and berating stupidity lowers morale and gets you nowhere. Rather, we tried to learn from our losses. Meantime, we raised our spirits by looking at advances, "From Albany to Albania." (I wish it might have been from Aarhus to Zanzibar, but we rejoiced in what we had won, which included Cape Town, and what we had kept, here and in Denmark, Pennsylvania, Taiwan, Singapore, Hong Kong, Johannesburg, Nairobi, British Columbia, and elsewhere.) We glowed over the energy and activity of our missionaries to Russia, Estonia, the Ukraine, and other nations in flux.

We found live local politicians at work to raise ground rents charged for use of our public grazing lands; others to raise money by charging for radio spectrum assignments, previously given away; another to raise charges on aircraft that tie up precious landing and take-off "airslots" at the Los Angeles International Airport; another working to raise revenues from meting permits to take scarce waters from our streams and aquifers; others to raise public revenues from boat moorings in coastal cities. All these good things are happening here and now. Living, breathing applied Georgism is being newly discovered and advanced every day by people who don't even know they are Georgists. It is for us to find, notice, praise, and support them. In the process we may also inform them, but hear them that they may listen.

Third, Think Modern and Future

We talk a lot about the enclosure of commons in 16th Century England, and squatters in 19th Century Australia, but how about the enclosures going on around us right now? Fisheries, water, the public highways, perhaps the public schools, even the air. "The air?" you object. "Be serious!" Yes, really, the air. In the U.S.A. currently they are creating and giving away "property rights" to pollute air, based on past histories of pollution.

"Because a man has robbed me in the past, is that any reason to grant him a perpetual right to continue robbing me?"² Once society answers "yes," (as it did with surface rights to land), no sequel is too absurd. Now, because a man has suffocated me in the past, we are giving him a

²Henry George, *Progress and Poverty*.

right to suffocate me in the future. He joins the Order of Ancient and Honourable Polluters. These "rights" (called "offset rights") are given out pro rata to past emissions. In effect, they are bounties granted for having abused one's neighbors. The U.S.A. is doing it through its Federal Environmental Protection Administration (EPA), and local agencies like California's South Coast Air Quality Management District (AQMD). Could anything be more patently wrong? Could anything present a more useful object lesson to explain and demand a Georgist solution? It is happening now, 1993, and can be a great rallying cry.

"Thinking future" also means enlisting youth. Georgism is a young person's cause: it's the young who will have to buy their way into the overpriced land market. They should be panting to take over this movement: let's receive them graciously, groom them quickly, and give them some reins of authority and leadership before they reach mandatory retirement age.

Fourth, "Think Synthesis"

I mean that in an Hegelian sense, the sense of Richard Noyes in his recent *Now the Synthesis*. A synthesis is a reconciliation and resolution, a harmonious blending of the best of what appear to others to be clashing forces. It is part of George's genius that his proposals do just that, they solve one problem by resolving it with what ordinary minds had perceived as another problem. They turn two problems into one solution. That is what George means when he, observing this marvel, insists so often that "the laws of the universe are harmonious." Good ideas and good policies support and reinforce each other, like dovetailed corners.

I'll itemize, anon, several of George's resolutions. Resolving conflicts, turning clashing forces into supportive forces, is so valuable and productive I suggest calling it—are you ready for this?—a PANACEA! "What? Shhh! ... " I hear, "Don't use the P-word. It's what our critics accuse us of!"

Of course our critics accuse us: they do it to intimidate and silence us, don't you see? They want us to run for cover, disclaiming all pretension. That's how they condition and control us to be modest, sound reasonable, and sit quietly in the back while they trot out *their* panaceas, controlling the agenda.

Right now it's "privatization." Ten years back, it was "supply-side" and the Laffer Curve. Ten more years ago it was "fiscal and/or monetary policy." Before that it was income taxation, and national planning. Before that, at least in the States under Herbert Hoover, it was "Associationism": business councils, cartels, and the corporate state.

All of those, and more besides, were treated like panaceas in their time. The public was game, if not always wise, to give each its day. So let's not be scared by a bogey coined by artful detractors. If any policy deserves to be called a panacea, it is ours. Let's Think Immodestly. Ours is not a modest proposal; it will not be made manifest by pastel protagonism.

Let's also bring our immodesty down to earth. I use "panacea" in the limited sense of a synthesis and *resolution*. It is trendy to insist that all choices are "trade-offs": to get more B, you must give up some A. You can't have it all, they say. (It's why others call economics "the dismal science.") A resolution is when you *can* have it all: you get more of both A and B. Instead of a dismal trade-off, there is a "free lunch" by grace of "synergy": an effect making the whole greater than the sum of its parts. Such grand resolutions are worth more than net gains from marginal

trade-offs (valuable though those may be).

That is what the voters think. Why was Keynes popular? Orthodox economists were saying, to escape from depression 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. To that, Keynes said "Baloney! 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. They only lost when people learned from hard experience that his policies led to "stagflation." Keynesians promised the best of both worlds, but delivered the worst.

In the 1970s Keynes' heirs fell back on a dismal trade-off, the "Phillips curve." "The public must grow up and choose," they moralized with some condescension. "You may choose either inflation or unemployment. Whichever you take, don't blame us for the other: we told you so." Like Malthus, they made economics a science of choice where all the choices are dismal, and the public was born with original sin. They forgot the voters had not elected Keynesians to preach austerity. Soon the voters came up with a third choice: they retired these new dismal scientists.

Next it was Ronald Reagan. He tossed out the Phillips Curve for the Laffer Curve. Laffer said you can have it all: lower tax rates and higher tax revenues, more defense and a lower deficit. Talk about panaceas! The voters bought it all, until they slowly realized it wasn't working.

Now it is the privatizers peddling their panacea. They have learned to sell the product by soft-pedaling "trade-offs." Instead, they talk about "win-win" solutions, and the public is falling for it. It will continue to fall until people realize that many of these are really "win-win-lose" solutions, with them as the losers.

Before all those panaceas there was Henry George. He, like other inspirational leaders, was anything but dismal. He, too, said "we can have it all." It made him immensely popular. We are often told that Georgism never really made it, but that is warped history. Pure Georgism never "took over" whole hog, but modified Georgism, melded into the Progressive Movement, ran the U.S.A. for 17 years, 1902-19, working through *both* major political parties.³ Both property taxation and income taxation were modified on Georgist lines.⁴ Real concessions were made.

George's ideas were carried worldwide by such towering 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 in Denmark, South Africa, and around the world. 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.

George's ideas fell not from failure to deliver, but to the Great Red Scare that has dominated much of the world from 1919 to 1989. This panic marshaled and energized rent-takers

³Pacifists might question including the war years in the Georgist period, but consider this. Newton D. Baker, former single-tax Mayor of Cleveland, Ohio, was made Secretary of War. Under him the U.S. had the most impartial, democratic draft policy we have ever known: no one could buy his way out.

⁴The first income tax legislation, passed by Congress in 1916, was crafted by Congressman Warren Worth Bailey, single-tax publisher from Johnstown, Pennsylvania. It exempted almost all wage and salary income.

everywhere; by confusion, its victims included Georgism. It made Georgists pull in their horns until their message lost its vigor and excitement—its panacea qualities—and became just a minor local tax reform. Now, with the fall of the Berlin Wall, is a good time to pick up where the Progressive Movement was aborted.

Fifth, Think Relevant

Leave the quibbling and nitpicking to theorists, it's how they lose students and emasculate themselves. We can easily tie in with hot current issues that are stirring people, they are all around us. You can also find a philosopher, John Dewey, who said that is the best way to think anyway, to solve real problems that arise in a social context.⁵ That is where the great economists got their inspiration: Quesnay trying to save French finances, Adam Smith and David Ricardo fighting tariffs, J.S. Mill fighting for domestic reforms, Leon Walras exiled from France for combating both socialism and landlordism, Henry George fighting poverty, Knut Wicksell jailed for his reformist campaigns, J.M. Keynes fighting unemployment.

Talk to active politicians, and more, have them talk to you. Politicians love to talk, they only need a "reference group," an audience, which you can supply. Just select issues with some Georgist content. At the July conference in Los Angeles we had Councilwoman Ruth Galanter explain how and why she got the Council to raise rents on airlines using L.A. airspace. We had former State Senator Al Rodda explain how he got an LVT bill before the State Senate. (Rodda, a real live land tax man, was Chair of the Senate Finance Committee for years and years.) We had Assemblyman Steve Clute explain how Kaiser Steel had taken 45 years of iron ore supply from public lands in Riverside County for token fees, and what he was doing about it. We had Larry Berg of the local Air Quality Management District explain why he opposed his colleagues' idea of giving away pollution "rights" to dirty industries. We had State Lands Commissioner Charles Warren explain that water belongs to the State, and his proposal for a charge on those who withdraw this water.

Every one of those politicians is a Georgist, they just don't know it yet. They are self-made, beginning from direct observation and experience. Ruth Galanter is so perceptive and smart that if we burned all the books ever written on site duties, and wiped us all out today, she would rediscover it all in a few years. Truth struck to earth will rise again, and does every time someone like her sinks her teeth in a current issue involving resource rents.

Sixth, Think Mutual Support

We lose when Georgists fall out, especially over trifles and in public. Georgism is a broad tent: every winning party is a coalition, that's how you win. Some are libertarians, like Albert J. Nock and Frank Chodorov; some are self-styled socialists, like Upton Sinclair and Norman Thomas and Daniel Hoan (Mayor of Milwaukee when it was America's model city). Some are Republicans, like Robert Ingersoll once, Bill Filante recently, and Richard Noyes today; some are Democrats, like Al Rodda and Steve Clute. Some are pacifists, like Bill Vickrey and Nic

⁵Dewey was also co-founder and editor of *The Freeman* when it was house organ for the Henry George School, 1937-42. Like so much salient history, this has been stuffed down the memory tubes by historians who have been taught to ignore us.

Tideman; some are military men, like Admiral Raymond Spruance and Colonel Edward C. Harwood. Some are pro-Palestinian, like Alanna Hartzok; some defend Israel, like Rabbi Benjamin Herson. To succeed we must make Georgism our priority so it bonds us and keeps other issues from dividing us.

If that is true of those big differences, it is even truer of stylistic differences like should we call it a tax or a site duty. The world knows that "A rose by any other name would smell as sweet." George Bush evoked only scorn when, to avoid the dreaded "t-word," he called for "revenue enhancement." People really aren't that thick, and resent it when you bandy words to patronize them.

Seventh, Think Doable

There is a danger in thinking Georgism has to be whole hog or none ("Sydney or the bush," as you say here). The Georgist Utopia is not another state of being, in another world. It is practical and applied, here and now, and it consists of little parts and pieces. Georgism is an accumulation of social institutions and attitudes, many of which we already have. Our missionaries to Russia are discovering, one by one, the need for land registry, land valuation, training valuers, a market, a viable polity, recording of sales, public disclosure of data, some basic honesty and dedication to public service, and so on and on.

We are lucky, we have inherited much of that apparatus from our applied-Georgist forebears, but keeping those gains takes more than luck. You have rights, which are lost if not used. An elderly lady asked me what she, with limited contacts, and modest of her abilities, might do to help. The answer is, assert and use your rights! Your right is everyone's right, that's what a right is. Using them, you keep them alive for everyone. True radicalism includes defending many existing institutions. Elements of true radicalism are already built conservatively into our system, thanks to the work of past radicals like Henry George and his supporters. Practical land valuation has been developed into a respected professional skill by valuers and writers like your John F.N. Murray, Johannesburg's John McCulloch, and our own John Zangerle, Walter Pollock and Karl Scholz, Lawson Purdy, William Somers, Frederick Babcock, James Bonbright, Irene Hickman, and Ted Gwartney (who has served in British Columbia, too).

Beyond that, almost every public issue has some Georgist content, and gives us a toehold. If you want to join the party, the door of public service is open. Study up a little, "pay your dues" by proving yourself on some local commission, and before long you're looking at things from the inside. The first time a reporter asks your views, you're in the "public dialogue," as Richard Noyes calls it—and as he is himself.

Use common sense: ask people to do what they can do, not everything at once. Don't irritate the head of state by abruptly telling her to impose local rates nationally. She lacks the authority, or thinks she does, or perhaps just wants to think she does. Whichever, that will be her first reaction, and you are dismissed. Anticipate that reaction, and chart the path from where she is now to where you want her. Failing that, ask her to do something within her customary power, like raising lease rates on national lands. Proceed in doable increments—one thing leads to another.

Eighth, Think Action, and Act

Note, I do *not* say not to act until you finish thinking, for that time never comes. Besides, thinking without action suffers from want of raw material, and is apt to wander from what is relevant and useful. Neither do I say act first and think later, like a memoirist lamenting his follies. Thinking and acting feed each other: do both, starting now.

Follow those rules and you'll have no trouble getting a hearing for your views, making friends, and gaining allies. Candor compels me to add, you'll also have no trouble making enemies. You must expect that, but be glad, it's a mark of progress. Pray for your enemies—not to win, but to prove you are a force by disputing you. Until you stir up some enemies, you are not doing much. When they rise to refute you, you have set the agenda, they are helping publicize your cause.

Just be sure you make the right enemies; don't shoot your friends. Voltaire also prayed for his enemies, saying "Lord, make my enemies ridiculous!" Nature takes care of that in part: the enemies of Georgism are inherently ridiculous, as I have tried to show. Make them face and refute you in public, where their errors and ignorance will expose themselves. Also, come with enough friends to insist on fair play, and put up a fight. A fight is action; action gets press. All of a sudden it puts you in the public dialogue.

PART II: UNEMPLOYMENT AND ITS REMEDIES

"... though custom has dulled us to it," wrote Henry George, "it *is* a strange and unnatural thing that men who wish to labor, in order to satisfy their wants, cannot find the opportunity ... it is not work that is short while want continues; ..."

Your aborigines and Pacific Islanders suffered many privations before Europeans came, but not unemployment. Neither did our American Indians, the native Africans, or most aboriginals before they met European private land tenure. That is because each one had access to land, which they held in common.

Tom Paine⁶ wrote "The life of an Indian is a perpetual holiday compared with the poor of Europe."⁷ It was because each Indian had access to land. Paine anticipated George by recommending a land tax to elevate the poor of America to the happy condition enjoyed by the benighted savage.

Ordinary economic theorists often claim that today we live in a monetary economy, so access to land no longer matters. Such a claim is "ahistorical": it ignores the actual sequence of history. During the worst "Satanic mills" period of the early 19th Century, much of English labor was paid on the pre-monetary "truck system." Workers were not paid money, but in kind, with goods from the company store: not exactly a monetary economy, although it was the most advanced commercial-industrial one in the world.

300 years before that pre-monetary era there was already severe unemployment in 16th Century England. Sturdy yeomen were converted into sturdy beggars by the basic expedient of taking their land. The enclosure movement, which did that, began around 1536. Landlords who

⁶The English-American who rallied the American Revolutionists by writing *The Crisis*.

⁷Paine, *Agrarian Justice*.

had once sought to tie men to the land, now sought laws to speed their departure.⁸ They replaced them with sheep, whose land-using, labor-sparing needs and habits Diggers know well. To the extent money was involved it was not to pay workers, it was to buy wool exports, and was inversely related to job creation. Money demand for raw wool exports actually destroyed jobs, by shifting land from men to sheep. Land-use, not money demand, is the critical matter.

How would George's full-employment policy work out in a modern monetary economy? Latent supply and unfilled demand must meet and satisfy each other, said George. He would do it by activating land. He would do so by applying "*True Fiscal Stimulus*," which moves the demand and supply sides both at once.

"Fiscal stimulus," in the modern usage, is a shallow euphemism for running a deficit, often financing it with new money. Calling it "stimulus" is a verbal trick that begs the questions of what it is, and whether it will work. In the U.S.A. we had entirely too much of that because it was the sole reliance of Keynesian economists when they tended the fires of demand management. It turned to ashes in the crucible of double-digit inflation in the 1970s. You only hear of it again now because its successor policies have failed so badly, too. I surmise from the plummeting Aussie dollar that your statesmen are still enamored of it, but this, too, will pass, as it did with us.

True fiscal stimulus, on the other hand, is a fixed charge on land, paid by landowners pro rata the value of land they own. To meet such fixed charges they must hire people and pay wages. The new wages raise effective demand in the same stroke that makes jobs directly. At the same time, raising more taxes from land allows lowering taxes on payrolls, lowering or removing the big "tax wedge" between employer and employee. This makes it more profitable to pay wages, and leaves wage-earners with more spending money after taxes. Raising more taxes from land also allows lowering taxes on capital, and on the income from capital. This raises rates of return on new investing, so income that is saved is turned immediately to investing. That is a lot of demand-side stimulus.

Imagine: we can lower taxes on labor without raising taxes on capital, and vice versa. We can even lower them both, without cutting public services. No other program dares promise anything like that, let alone deliver it. If we can't sell a product like that, we couldn't sell ice in Arabia. Yet, it is the magic that follows directly from flagging the difference of land and capital.

True fiscal stimulus works on the supply side, too. To pay the fixed charge on land, and to pay wages, and to pay interest on money invested in improving land, its owners must produce wares and services (including housing), and vend them. Thus higher demand is answered with higher supplies. Demand and supply are leveled upwards, without inflation. *True fiscal stimulus*, it turns out, is also True Supply Side policy: a nice combination, incorporating and reconciling the legitimate claims of both sides, accomplishing together what neither side could accomplish alone.

"Supply-side" was the catchword of Presidents Reagan and Bush, dominating 12 years of history. Unfortunately that is all it ever was to them, a catchword. In practice, they worsened the tax treatment of new investing.⁹ They raised the tax wedge between employer and employee by

⁸The same thing happened to blacks of the southeastern U.S. after the 1930s.

⁹They did that by slowing down depreciation rates, junking the investment tax credit, raising the tax cost of hiring

raising payroll taxes. They lowered the tax rate on corporate income, much of which is land rent.

George Bush then wasted his four years, and lost his political credibility, by maneuvering obsessively, single-mindedly, to lower the tax rate on "capital gains," much of which come from unearned increments to land value. The rationale, if any, seemed to be that high land values are good for everyone because they help landowners borrow money. We ended up with the highest real estate and stock market prices in history, together with the lowest wage rates and highest unemployment rate in 20 years. As Henry George wrote in the introduction to *Progress and Poverty*, a great wedge was driven through society, crushing those underneath.

Suppose we enacted *True Supply Side* economic policy, as defined above, would it work? Early Keynesians scorned it: to many of them, overproduction was already a problem. Forcing more land into use, they told me, would only dump more wares on glutted markets. Monopoly didn't bother them: it even helped, by choking off production. Keynes tolerated monopoly with equanimity. Keynesians, during their heyday in power, shunted anti-monopoly policy aside in a little subcompartment, "structural reform," which they patronized as a quaint anachronism. More spending was their panacea, their answer to all questions. Little wonder they led us down the garden path to inflation. Little wonder they evoked a reaction and antidote labelled "supply-side" that the voters chose over "demand-side." The pity is, the public wasn't then given what it voted for.

I have already shown how raising land-charges serves to raise demand, but demand-siders would still worry about "oversaving." In their worldview, the economic motor is spending, but the circular flow of spending is constantly "leaking" away into saving, viewed as a bottomless pit ("infinite liquidity trap" is their phrase). Oversaving is what keeps supply from creating its own demand, a concept they belittle. There are at least four answers to the oversaving bogey:

- decades of inflation indicate that supply has long been creating more than its own demand;
- the U.S., and many nations, are undersaving, as shown by long years of capital imports;
- saving is or can be offset by true investing;¹⁰ Georgist policies raise the marginal rate of return after taxes, which is the inducement to invest;¹¹
- raising the marginal rate of return on true investing raises interest rates, which in turn raises the cost of holding land idle. This redoubles the pressure on landowners to put land to good use, which in turn raises marginal rates of return on new investing, in a benign, self-reinforcing spiral.¹²

Now, however, we face a new bogey: "overinvestment." The world is full of "anti-Pollyannas," who will give you six reasons before breakfast why anything you propose cannot

labor, and strengthening the bargaining position of landowners vis-a-vis builders of new capital.

¹⁰"True" investing means hiring workers to produce capital. False, or zero-sum, investing is buying land or other old asset.

¹¹This much of Georgism was discovered by Keynesians in the 1960s, which accounts for a flurry of tolerance for Georgists in those heady years.

¹²"Positive feedback" is the hot term for this.

work. Talk about downtaxing capital, and here is what you hear now: "Look at those empty office buildings. They built too many because of their tax breaks."

What about that? It's a fair challenge for us to answer. Those empty buildings are the product of three anti-Georgist elements in tax policy. First, Congress gave special breaks to this kind of capital, instead of balanced breaks to all capital. Second, Congress raised taxes on those who hire labor, thus forcing too much substitution of capital for labor, and taxing the jobs needed to fill the empty buildings. Third, Congress fostered a boom in land prices. On the upswing, a land boom seduces and forces builders into "leading the market" by overimproving land when they do build on it. The wild swings of land prices warp investment incentives.

What we need is balanced, total tax reform. Untax both capital and labor, but labor first. Untaxing labor encourages investing, because *true investing means employing labor*. Henry George favored untaxing capital because he identified capital with labor, and in his day there was no tax on payrolls. He thought by untaxing capital he *was* untaxing labor. Today we can untax labor directly.

Under President Bill Clinton, Americans now face yet another concept of fiscal stimulus. Clinton has proposed "reverse crowding-out." "Crowding-out," if you have not seen the term, is when government borrowing takes up available loanable funds. The powerful U.S. Treasury borrower crowds private borrowers out of the market. "Reverse crowding" is when government pays off its debt, pushing loanable funds into the private market. Dr. Alan Greenspan, powerful head of the Fed, has given lip-service to this.

This Reverse Crowding creates capital via government saving, in effect. It is feasible, and precedented. It requires, however, that the private sector find uses for the capital pumped into it, and that these uses employ the labor released from government jobs. Otherwise, the newly "uncrowded" capital will just go to work bidding up the prices of land, and other old assets. It requires, therefore, that the tax system not dampen private incentives to invest in forming *new* capital, especially "working capital" to meet payrolls in high turnover, labor-using operations.¹³

Reverse crowding could be a good idea, but only *if* done in tandem with pro-incentive Georgist tax policy. Whichever way Presidents and Prime Ministers may writhe and wriggle, no macro policy will make jobs without the help of Georgist tax reform. Almost any macro policy *will* make jobs *with* the help of Georgist tax reform. It's enough to make a person think perhaps Georgist tax reform holds the greater truth. Speak out immodestly, O Georgists, you bear a great charge.

BONUSES FROM BENIGN RESOLUTIONS

Now we have the elements of a Georgist program in place, and have seen how it relates to ordinary approaches to unemployment, let us take the next step. Let's take credit for the bonus benefits ("free lunches") our program will generate. These are part of what make it so attractive, and thereby make it work better in all respects (e.g., generating enough revenue). Doing this, we

¹³Unfortunately, Clinton's choice of Lloyd Bentsen for Treasury Secretary bodes ill for any such hope. The proposal to finance Hillary's health plan by raising payroll taxes bodes even worse. Bentsen, like the ill-starred Senator Robert Packwood, is mainly identified with proposals to give preferential treatment to unearned increments.

can see what a truly comprehensive reform it is, and how it upgrades the total system. Don't fret if our program ends up looking like the dreaded Panacea-monster. We have seen not to run for cover from that.

"TANSTAAFL" stands for "There Ain't No Such Thing As A Free Lunch." It is stylish among crabbed economists to grumble this shibboleth regularly, to screen out optimists who might bear glad tidings. Realistically, however, Pollyanna was often right. When the unemployed find useful, rewarding work there *must* be net social gains. It is only a question of what form they will take, and who will get them.

Taxation to lower public spending!?

Anti-governmentalists often identify any tax policy with public extravagance. Georgist tax policy, on the contrary, saves public funds in many ways. By making jobs it lowers welfare costs, unemployment compensation, doles, aid to families with dependent children, and all that. It lowers jail and police costs, and all the enormous private expenditures, precautions, and deprivations now taken to guard against theft and other crime. Idle hands are not just wasted, they steal and destroy.

Ultimately, Georgist policy saves the cost of civil disturbances and insurrections, and/or the cost of putting them down. In 1992 large parts of Los Angeles were torched, for the second time in a generation, pretty much as foreboded by Henry George in *Progress and Poverty*, Book X.¹⁴ Forestalling such colossal waste and barbarism is more than merely a free lunch; it may be saving civilization itself.

Our program will effect other, less obvious savings in government. It will obviate much of the huge public costs now undertaken to reach, develop, and safeguard lands that should be submarginal. Today, people occupy flood plains and require levees, flood control dams, and periodic rescue and recovery spending. Others scatter their homes through highly flammable steep brushlands calling for expensive fire-fighting equipment and personnel, and raising everyone's fire insurance premiums. Others build on fault lines; still others in the deserts, calling for expensive water imports. Generically, people now scatter their homes and industries over hundreds of square miles in the "exurbs," or urban sprawl areas, imposing huge public costs for linking the scattered pieces with the center, and with each other.

This wasteful, extravagant territorial overexpansion results from two pressures working together. One force is that of land speculators manipulating politics seeking public funds to upgrade their low-grade lands so they may peddle them at higher prices. The other force is that of landless people seeking land for homes, and jobs, and public funds for "make-work" projects.

Both these forces will disappear when we tax land value and downtax wages and capital. This will move good land into full use, meeting the demand for land by using land that is good by Nature, without such high costs. It will also make legitimate jobs, abating the pressure for "make-work" spending. It will also take the private profit out of upvaluing marginal land at public cost.¹⁵

¹⁴They called him "The Prophet of San Francisco." He turned out to be the prophet of Los Angeles.

¹⁵Such lands, if upvalued by public spending, will then have to pay for their own development through higher taxes.

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. The U.S. Department of Agriculture pays farm landowners billions of dollars in "rent" each year to fallow some 60 million acres, to uphold food and clothing prices. Under Georgist policy those payments would cease; those acres would go to work producing food, paying workers, and paying taxes. There are supply-side, demand-side, and fiscal economic policies, all three in one simple stroke.

In the longer run it seems reasonable 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.

Ballooning public debt is an onrushing catastrophe of our times, threatening to overwhelm us and lead to national bankruptcy. Nothing else has made a dent in it. A tax that raises revenue at the same time it lowers public spending, ipso facto *lowers the deficit*. Vigorously applied, it even turns deficit into surplus. Thus, it lowers interest payments on the public debt, adding to surplus, in a benign spiral of positive feedback, leading back to national solvency. In the face of that, anyone who fans fears that Georgist taxation might lead to public extravagance is holding up a warped carnival mirror showing us our ruin in our interest, and our interest in our ruin.

Full employment to enhance the environment!?

Georgist tax policy protects and saves the environment. As noted above, Georgist policy aborts subeconomic extensions of roads, utilities, and public works. Saving public funds and saving wildlands and waters are nearly perfect complements.

Keynesians gave economics a bad name in the rising environmental movement. Keynes' sometimes called himself a "waste economist." His disdain for land conservation and the environment may be inferred from his famous saying that it is better to have men digging holes in the ground and filling them up again, than to remain unemployed. That, of course, could be hard on the ground, its flora and fauna. He tossed off the future, saying "In the long run we are all dead." Urban sprawl did not bother him or his followers: unused land in cities simply created more "investment opportunities" for extending infrastructure to bring outlying land within the urban ambit. Natural resources per se were effectively unlimited: the need for exploring and drilling just opened new investment outlets. "Effective demand" was all that mattered. It was the end-all and be-all of Keynesian economics, its Panacea.

When agitated environmentalists faced down Keynesian Walter Heller around 1970, his answer was to subsume their concerns under his system as an afterthought. The really important thing, he said, is that *first* we uphold demand through fiscal stimulus; *then* (throwing them a bone) we will have money to clean the environment. "Fiscal stimulus" includes building sub-economic public works to invade wildlands, the very problem exercising environmentalists.

That set the pattern for Keynesians, and sealed their doom. They had grown too smug and dogmatic really to hear the critics, to adapt, to weave the critics' concerns into the fabric of Keynesian thought. The environmentalists had to look elsewhere for comfort. They did so, and out Keynes went, his time spent. *Sierra*, the Sierra Club house organ, has six *million* (sic) subscribers. Patronize them at your peril!

"Jobs vs. the environment" is the dismal trade-off offered by darkened counsel, from Marxist to Chicagoan, today. Marxists traditionally have overreacted to Malthusianism to the extent of denying the reality of resource scarcity, the need to conserve and economize on land, and hence to control pollution. The wrecked Soviet environments bear witness. A Georgist economy, on the other hand, guards the environment and saves resources in the very process of making jobs. It saves resources by focusing human activities on good lands, the lands that should support people, leaving and releasing marginal lands for wildlife, recreation, wetlands, watershed protection, etc.

Taking timber as an example, John Baden sums it up brilliantly in a few apt words: timber should be grown on lands that are flat, warm, wet, and near markets.¹⁶ Georgist tax pressure applied to those "Site I" lands will promote exactly that, leaving the steep, arid slopes ("Site VII" lands) for scenery, watershed, and recreation. These "Site VII" lands that are "bad" for timber are often good, maybe the best, for scenery, recreation, wildlife, and watershed protection.

There was once a tendency for environmentalists to oppose human use of land wherever and whenever the issue arose. They opposed urban sprawl not because good land was left vacant, but because other land was not. Now, to their credit, most of them are looking at the whole human system. The Sierra Club is supporting urban infilling, seeing that demands not met on good land are bound to pop up on bad land. In cities, here are some sources of "non-point pollution" that sprawl maximizes or worsens: the number of car-miles for any given level of urban linkage, with smog generated in proportion;¹⁷ paved areas, with salt¹⁸ and roadside litter both spread in proportion; grading and denuding new lands, generally upstream and more sloping;¹⁹ number of homes not sewered; diversion of sewer funds from treating sewage to collecting it; larger lots and lawns, longer driveways; inhabited areas without good fire protection, with more grass and brush exposed to humans; settlement and industry beyond gutters and storm drains; longer, wider utility rights-of-way, with higher voltage and pressure and hazard; filling wetlands.

Automobile dependency creates its own treadmill effect ("positive feedback"). The car itself is the major consumer of urban space, space which must in turn be traversed, using still more car-miles. Then there is sudden death or injury.²⁰ Pedestrians and cyclers are maimed and frightened until they, too, become motorists. Mass transit withers away. The market does not lead us to optimal outcomes in such a world. Georgist tax policy, combating sprawl, at the same time helps minimize non-point pollution which is basically the product of scattering bits of cities over too much area.

¹⁶Baden would not agree with everything in this essay, nor I with everything of his.

¹⁷The unforgettable demonstration of the last came in 1967 when Mayor Henry Maier closed all Milwaukee gas stations for a week, because of arson and riot threats. As a by-product Milwaukeeans saw, for the first and last times, what clean air really looks like -- glorious!

¹⁸In the "frost-belt" world salt is spread heavily on roads in winter, to melt ice.

¹⁹Three-quarters of the pollutant loadings in the Menominee River (flowing through Milwaukee, Wisconsin, U.S.A.) come from urban non-point sources. Areas being developed for urban use cover only 2.6% of the watershed, but contribute 37% of the suspended solids and 48% of the phosphorous.

²⁰Shootings and knifings are recognized as urban violence, but here is violence so institutionalized and disguised we take it as given, and no longer recognize it for what it is. Auto accidents, the ultimate "negative externality," kill some 40,000 Americans per year, maim many times more, and intimidate everyone on foot.

Auto dependency is also energy dependency. Georgist policy combating sprawl obviously at the same time saves energy. lowering the demand for refineries that pollute air and water, tankers that spill oil, oil wells that invade wilderness and pollute their environs, etc.

Congress allows generous tax loopholes for activities related to finding, holding, drilling for, extracting, and transporting raw petroleum and gas. Public funds are allocated to military activities designed to foster and protect imperialistic expansion of U.S. firms in oil-bearing regions. As soon as the raw land-product leaves the ground, tanker, or pipeline, however, value-added thenceforth on its way to the consumer is subject to the full fury of the tax laws. Congress imposes heavy fines on refining, storing, processing, distributing, upgrading, and conserving the product en route to the consumer, using labor and capital.²¹ Consumers who raise their taxable income by conserving fuel are subject to higher income taxes, along with property taxes on the equipment required, and payroll taxes on the labor.

Georgist tax and spending policy would reverse that bias. The idea would be to lower taxes on "downstream" value-added, like processing, storing, distributing, saving, substituting, and conserving; and raise taxes on (and lower subsidies to) "upstream" activities like finding, preempting, holding, and exploiting Nature's black gold. It would result in what Amory Lovins, an energy economist, has summarized as "Negawatts for Megawatts."

The overall idea is to hire labor to make better use of the lands and resources we already have, rather than spill out over more. We lessen our demands on Nature, which is limited, and substitute labor and capital formation, which are augmentable, and human ingenuity, which is infinite. Around 1900, such thinking called forth the English movement for "Internal Colonization." Even imperialists and social Darwinists like Halford Mackinder and Leo Amery argued for it, because imperialistic expansion was exhausted. Kipling produced his contrite "Recessional." In 1906, Sir Henry Campbell-Bannerman formed a Liberal government, saying "We wish to make the land less of a pleasure-ground for the rich, and more of a treasure-house for the nation."

The Golden Age of applied Georgism, 1902-19, was also the age of the Conservation Movement in the U.S.A. Georgism and Conservation were two key elements of Progressivism, the "ism" of Teddy Roosevelt and Woodrow Wilson and even (if reluctantly) William Howard Taft. Listen for the Georgist overtones in Roosevelt, speaking on Conservation in 1916:

"If it was published ... that all the works of Rembrandt had been burned there would be a perfect outcry. ... It is possible that humanity will produce a new Rembrandt; but it is impossible to produce a new Passenger Pigeon."²²

This was also the Golden Age of American cities, an age of infilling, mass transit, electrification, sanitation, public health, civic pride and revival. A close analysis of Chicago building, for example, shows that the boom of 1908-15 occurred mainly inside the city limits, in contrast to the previous boom that peaked in 1891, and the later one in 1927. The same study shows that this 1908-15 building boom evoked no boom and bust in land prices, in contrast to the

²¹Detail is available in M. Gaffney, "Oil and Gas: the Unfinished Tax Reform." Unpublished MS.

²² Proceedings, N.Y. State Museum Opening, Dec. 1916. Churchill, a few years earlier, had also refuted people who liken old masters to land, in his famous retort that "old masters do not get in anyone's way."

ones before and after. It produced no boom and bust in banking, either.²³ Those were the days! How much good the world has forgotten since then. Let's help people remember, and reenact.

Reconciling other polar positions

We have seen in some detail how Georgist policy reconciles and synthesizes certain supposedly irreconcilable antinomies, where ordinary "mainstream" economists offer at best dismal tradeoffs. We have just seen that taxing rent reconciles heavy taxation with economy in government; and reconciles full employment and the environment. Earlier we saw it reconcile heavy taxation with private incentives; lower taxes on labor with lower taxes on capital; supply-side economics with demand-side economics; investment incentives with saving incentives; and fiscal surplus with fiscal stimulus. Now I will summarize and itemize, without detail, these and many other reconciliations inherent in Georgist policy.

Georgist tax policy achieves the following. It:

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. (Does the same for rural sprawl, timber sprawl, mining sprawl, recreational sprawl, water-source sprawl, etc.)
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."

²³Homer Hoyt, 1933. *One Hundred Years of Land Values in Chicago*, p.413.

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.

Economic discourse is afflicted with cynics, spoilers, and pessimists who cling to mutually inconsistent positions at the same time, each posing an insoluble problem. 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. This mindset is unaffordable in a period of dangerous national decline, and growing division between haves and have-nots.

We have shown here that major social-economic goals are not at odds, they are mutually supportive. More: many are mutually requisite. Efficiency supports justice, full employment supports stable prices, macro reform supports structural reform, urban containment needs a free land market, secure private tenure needs common rights, national credit needs full employment, economy in government needs heavy taxes on land, free markets need assertion of common rights to land by taxing it, pristine wildlands need intensive land use, and land reform needs free markets. When you "think synthesis" you think big: the pieces come together. With such a message, can we not again stir the world?