

Revised and expanded, now including the community land trust.

GEONOMICS and COMMUNITY POWER

The Environmental and Public Benefits
of Taxing Unearned Income

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Finding Economic Justice in Taxing Unearned Income

As various organizations search for effective programs for the promotion of economic justice and political change, a program to be considered is “geonomics.” Geonomics is a method of assuring that both use of the “commons,” or our natural environment, and the accumulation of “unearned income,” or the wealth created by society as a whole, is not hoarded by private interests but appropriated for the common good through the existing systems of user fees and of taxation of land value.

Geonomics addresses many contemporary concerns and needs as it focuses upon the role of land or site value in the creation of wealth. Coined from the Greek terms for “earth management,” geonomics encourages environmental responsibility, for example through encouraging inner-city development as opposed to urban sprawl. Geonomics also respects individual’s right to enjoy tax-free private property, while affirming the community’s right to tax the market value of land, returning to society the portion of land value created by governmental services and population concentrations. Geonomics provides the theory behind such a tax program, with the practical mechanism for its accomplishment being the “land-value tax” or “site-value tax.” This tax reform program was originally called the “single-tax,” since theoretically in its furthest application no other form of taxation is necessary and all others may be abolished. Today, this tax reform program is also called “incentive taxation” as it strengthens and maximizes incentives for:

- Fair distribution of wealth
- Environmental protection
- Basic needs production
- Provision of adequate government services
- Peaceful resolution of territorial conflicts

(Hartzok 2000)

Because of the environmentally and socially responsible qualities of geonomics, this public policy reform is also called the “Green Tax Policy.”

The greatest economic injustice today is the corporate and private takings of the wealth which is created by society through its population concentrations and provision of governmental services, and by nature in natural resources and the qualities of land site locations. These are sources of

unearned income that people seek to monopolize for corporate gain and private property. Justice, however, asserts that this unearned income belongs to all of the people of the society, and that government therefore has a responsibility to appropriate and share unearned income. The most effective means of meeting this responsibility is via the land-value tax.

The land or site-value tax is based upon the market value of particular parcels of land, not the market value of the improvements upon them. Geonomics asserts that it is human made “improvements” which is the rightful source of earned income, and therefore these should not be taxed. Geonomics makes a clear distinction between what is private property and what is common property, and this distinction between two different types of property and income forms the basis of the geonomic theory of economic justice. Redirecting the flow of unearned income from going to individuals or corporations to instead going to the public domain, is an expression of community power. As this community power is exercised on the local municipal and county levels, geonomics may serve as a powerful form of economic decentralism, forcing the centralized, transnational corporations to share with the local community more of the wealth derived from it.

The basic proposal made by geonomics is that land parcels be assessed at their market value and a tax levied against that value sufficient to enable no taxation of the improvements upon that land. The result is that the work of the tax assessor is simplified and most homeowners and farmers pay less property tax, while most commercial and mineral site properties pay a higher tax. The further application of geonomics involves the reduction or elimination of all other taxes, such as the local income tax, sales tax, business inventory and value-added taxes.

On the state and national levels geonomics involves the maintenance of user fees for commercial access to public domains such as broadcast bandwidths, and severance taxes for the commercial extraction of natural resources such as minerals, oil, gas, timber, grazing rights, fisheries and water. These plus other economic initiatives could provide sufficient public revenue to replace state and federal income taxes, and potentially also pay a “citizen’s dividend.”

On the global level, Alanna Hartzok and others call for a “Global Resource Agency” to collect user fees for use of transnational commons such as:

- Royalties on minerals mined from, and fish caught in international waters
- Charges for geostationary satellite orbits
- Use fees on the electromagnetic spectrum
- Polluter-pays costs for international flights (aviation exhaust), shipping (dumping at sea)
- Taxing currency transfer speculation (the Tobin Tax proposal)
- International arms trade, if it isn’t banned

The Global Resource Agency could also be responsible for monitoring the global commons (e.g., the ozone shield, forest reserves, fish, biodiversity), determining rules for access, issuing permits and collecting resource revenues. Such a body could also assume substantial authority for levying fines and penalties for the abuse of common heritage resources.

Revenues raised from access fees for the use of global commons could fund sustainable development programs, environmental restoration, peacekeeping activities, or low interest loans for poverty eradication. Funds are also needed on the global level to finance justice institutions such as the World Court and the International Criminal Court and to facilitate policy convergence in areas such as trade, currency exchange, and human rights.

The Global Resource Agency could be mandated to distribute resource revenues equitable throughout the world as calculated by formulas based on population, development criteria, currency purchasing capacity, ... and the relative local endowment of natural resources. Freedom to live or work in any part of the globe would also further equality of entitlement to the planet. (Hartzok 2000)

The tax shift advocated by geonomics works because land is the only resource that when taxed is not diminished. Taxing income or sales results in less income and fewer sales, whereas taxing land does not reduce the supply of land. Reducing the tax on building improvements encourages business growth, resulting in a net benefit for the economy.

Geonomics is a proven political/economic policy where it is applied in roughly 2,000 cities in Australia, New Zealand, Taiwan, Japan, Denmark, Canada, South Africa, and so far 15 cities in the

U.S., all in Pennsylvania, with Pittsburgh being the largest. (Cord, 1991) From the standpoint of contemporary economic theory, land or site-value tax works as an effective economic program because its application respects the theory of “economic rent,” as defined in standard economic textbooks (see: Appendix A: Glossary). Unlike economic programs such as rent control and other price freezes which seek to slow the price inflation of commodities in the market economy, with such caps and freezes resulting in a reduction of the supply of these commodities, geonomics and the land-value tax is widely respected as an effective economic reform program (see: Appendix B: Quotes) in part because of the economic incentive resulting from the removal of taxes on earned income.

Geonomics affirms the fundamental difference between the economic concepts of earned and unearned income, and champions the moral right of a community to appropriate for the common good the unearned income, through taxing economic rent or site value. Geonomics recognizes that among the mechanisms for the creation and accumulation of wealth, land is unique. The return on labor (wages) is a form of earned income since it is derived from human effort. In contrast, the return from land (rent) is unearned income since land exists independent of human energy. Geonomics recognizes that improvements made upon the land are derived from labor and capital, and renting these results in the accumulation of earned income. However, geonomics asserts that the qualities of a site that create land value include the natural resources upon the site, the concentration of population which provides commercial opportunities, and the provision of government services to the site (i.e., roads, utilities, schools, etc.), all of which result in the accumulation of unearned income.

Thus, a community may ethically appropriate for itself the land value via a site-value tax, since it is the community itself that creates this unearned income, not the landowner. Through the land-value tax the products of labor and capital are privatized, and the gifts of nature are socialized. Just as the individual citizen has a moral right to keep as private property all of the wealth derived from one’s own labor and capital, so the community has a moral right to prevent the common wealth from being appropriated and hoarded by individuals or corporations, by taxing and sharing the wealth resulting from unearned income.

Basic Geonomics

The strategy of the land-value tax (LVT) is to raise the tax on the site value and lower the tax, preferably to 0%, on the improvements. In cities which adopt LVT, the change is often made revenue neutral, with simply a shift of the tax burden off home owners and onto commercial interests, by instituting a two-rate property tax and decreasing that portion which taxes improvements. Politically, this is feasible since most voters are homeowners, while most commercial interests (such as multinational or transnational corporations) are not voters. The primary resistance comes from the large real estate interests, which are typically influenced by the corporations which have invested in the community, and which often have a strong influence upon local government.

One of the easiest ways to understand the concept of site value is through the parking meter analogy. First of all, it is generally accepted that some parking meter locations are more expensive than others, and so in the same way, some building site locations should pay higher site value taxes than other building locations. Secondly, it does not matter how expensive a car you park at a particular parking meter space, since you pay that location's parking price regardless of the value of what you are driving. By logical extension, an owner of a building should not pay a tax on the value of their building, only on the value of the land upon which it is parked. The result is that the tax structure encourages building owners to improve their property since under the site value tax, such improvements do not directly result in increased property taxes. Making improvements on the property stimulates business activity, resulting in economic growth, which leads to increased land value, and finally, improved site-value tax revenues that can be used to provide more governmental services, such as affordable housing. This dynamic is unique to the land-value tax. All other systems of taxation result in an economic disincentive, while the site-value tax actually creates a synergy between government and the market economy.

Instituting the LVT requires education of a population (or at least its city council) about basic economic concepts. Initially, the large real estate interests often resist the site-value tax. However, the application of the land-value tax goes further than merely the revenue-neutral change of shifting

property mill levies. Geonomics suggests that all taxes on labor and capital may be eliminated, including sales taxes, inheritance tax, luxury tax, inventory tax, value-added tax, flat tax, poll tax, and the income tax—in favor of the land-value tax. Removing other taxes paid by real estate interests can help to win their support for the site-value tax. Besides land value or ground rent, only user fees and severance taxes are consistent with geonomic theory.

The best example in the U.S. of a state severance tax is the Alaska Permanent Fund which pays each state resident an annual dividend averaging about \$1,000 per year from the state's \$14 billion oil trust account, and there is no state income tax. (Rosen, 1994) This is a policy of sharing the common wealth, in this case from oil resources, which could be more widely practiced. Elsewhere in America, our state and national governments use tax money to subsidize corporate takings of the common wealth. For example, when the government subsidizes a road or transit line, land values rise or logging and mining become profitable, but all this profit goes to private landholders or corporations. Geonomics suggests that government can tax this increase in land value, as well as impose a severance tax on the harvested natural resources, and share that wealth with citizens via a citizen's dividend. Such a policy would be consistent with "demand-side economics" since by distributing unearned income among a population citizens would have more money with which to purchase goods and services, as opposed to the "supply-side" nature of corporate benefit from unearned income. Various accountings have figured the national annual citizen's dividend to be from \$4,000 to \$30,000. Some geonomics advocates suggest that rather than, or in addition to, providing a citizen's dividend, geonomics could be designed to eliminate the federal income tax. (Gilman 1984. See: The Geonomy Society, Appendix C: Resources).

The change in property tax payments for a particular property, resulting from the institution of the land-value tax, depends upon two things: how the local real estate market values the particular plot of land, and what improvements are on that land. After the change to the land-value tax, vacant lots in prime downtown areas pay a lot more tax, forcing owners to build or sell to someone who will build, while high

rise buildings may pay less, depending upon the value of the lot upon which they sit. The result is both more efficient uses of land and an economic stimulus. Low-rise commercial areas generally pay more taxes, which results in a disincentive for strip mall developments and other low-density sprawl. Residential owners often pay less since their plots are small and their houses become untaxed, unless the homeowner has a particularly large and expensive property. In Pennsylvania cities where this tax structure was instituted, 85% of homeowners paid less property tax. Only those with large plots or valuable locations paid more. Parks, open space and agricultural land can be protected through zoning and tax exemptions as they are currently. (Hartzok 1997)

Geonomics encourages improvements in an area's housing stock as property values rise. However, this gentrification often involves the displacement of long-term residents, such as when someone has to sell their home, as a result of real estate values going up, just to pay the property tax. Programs providing for affordable housing then must be instituted, such as property tax alleviations and rebates, housing trust funds capitalized with tax-exempt bond issues, community land trusts designed to remove land from the real estate market, inclusionary rules requiring developers to build low-income housing and services such as for childcare in new developments via "impact" and "linkage" fees, and other programs to avoid displacement, paid for by the increase in site-value taxes.

The economic mechanism of geonomics essentially favors the build-up of inner cities over the development of open land. Accomplishing this in an environmentally and socially responsible manner, however, requires a focus upon designing specific alleviations of negative factors into the application of the land-value tax. For example, conservation land trusts, in a number of different forms from conservation easements to allodial title, can preserve open land from any development.

Land-value tax proponents agree that property taxes should be lowered or eliminated on land that a "community" wants to preserve as open space, agricultural land, low-income housing and so on. All of the methods of alleviating the property tax burden where desired are equally relevant to the current one-rate property tax system (where land and buildings or improvements are taxed at the same mill rate), and to

the two-rate property tax system (where land is up-taxed and improvements are down-taxed, resulting in a split-rate property tax structure). Social and environmental concerns exist in all property tax policies, and the alleviations are generally the same.

The following tax burden alleviation options are assembled from issues of *Incentive Taxation* (See: Appendix C - Resources).

- Assessment Exemption on Land (AXL) - farm owners and long-time, low-income residents of gentrifying neighborhoods would receive an assessment exemption to prevent them from having to sell their land in order to pay the property tax. Zoning policy or other ordinance or legislation would establish the exemption.
- Assessment Exemption on Improvements (AXI) - building or "improvement" assessments could be totally or partially exempt from the property tax. This could be used, along with the AXL, for property tax relief for long-term homeowners living in gentrifying neighborhoods.
- Property Tax Deferment - retired, low-income, differently-abled or unemployed homeowners could be granted property tax deferrals until sale, bequeathal or exchange of property. Whole or part tax exemption is also possible, with the latter perhaps being based on a percent of income.
- Percentage Cap - limit property tax increases this year to a percent increase over last.
- Circuit Breaker - tax relief may be offered for homeowners when the property tax burden starts to exceed a fixed percentage of that homeowner's income. The excess amount may then be forgiven. A "Sliding-Scale Circuit Breaker" can also be used, where the lower the income the higher the percentage forgiveness.
- Property Tax Rebates - senior citizens, differently-abled or other disadvantaged homeowners may apply for property tax rebates, funded by other revenue, such as in Pennsylvania with the state lottery, or by higher assessments on land controlled by absentee owners or out-of-state and transnational corporations (since voters are local residents only). (See: Cord, *Incentive Taxation*, Sept./Oct. 1996)

Community Power

The theory of democratic process includes not just the right to a popular vote on issues, but also the right to be involved in the setting of the political agenda and the definition of the issues on that agenda. When a subject is prevented from being discussed and kept off of the political agenda, the status quo prevails and the issue is considered to be a non-decision. (Harrigan 1991, page 191) Such non-decisions have often been effected by a lack of freedom of the press, and more commonly today, as a result of the loss of competition in many urban newspaper markets, and due to giant corporate media mergers and their self-censorship. The centralization of control of the media among a few giant corporations, among other factors, has facilitated the issue of the ownership of the unearned income which flows from land value being kept a non-decision.

The effort to institute the land-value tax illuminates the previously hidden agenda of individuals who, and organizations that, have manipulated the economic and legal environment so as to privately benefit from the unearned income rightfully belonging to society as a whole. Geonomics serves to remove the issue of unearned income from the realm of non-decisions and place it on the public agenda.

The political spotlight upon geonomic theory and the site-value tax resulting from placing the issue of unearned income upon the political agenda, can be utilized to show that through sharing our common endowments of natural resources and other forms of unearned income, we can reduce conflict and enjoy a mutually supportive social dynamic. This can result because geonomics helps to address the issue of the great disparity between the wealthy and the poor, which is a source of social conflict. Once the transition to geonomics is made, conflict is reduced and society takes on a more synergistic dynamic because geonomics is not a redistribution-of-wealth program, nor an entitlement program. Rather, geonomics rewards and therefore provides an incentive for individual participation in the economic system, while assuring that the resources are available for an economic safety net for those unable to participate in the market economy.

The issue of the nature and causes of social conflict have been studied and explained in various

community power theories. The goal of government is to manage a political-economic program in which all sectors of the economy and all classes of people may work together for both individual and mutual advantage, rather than lopsidedly for the exclusive advantage of certain economic elites. This is the interdependence concept found in systems theory, and the functionalist perspective explained in sociological theory. (Farley 1990, page 58)

In the study of community power, different local political structures have been given names describing their different attributes. The “elitist theory” describes cities controlled by one business interest or a group of business leaders. The “pluralist theory” adds the power bases of government, labor unions, churches and various social groups to that of business. Of the various other theories of community power, the “growth machine” and the “unitary interest” theories are most appropriate to the issues of land value, unearned income and non-decisions. The growth machine tends to support the non-decision of taking unearned income for private benefit, while the unitary interest works for the benefit of all society through making the sharing of unearned income a public policy issue. (Harrigan 1991, pages 186-196)

John Harrigan explains the growth machine: “... local elites with substantial local land holdings dominate community policy making ... these leaders’ common interest lies in promoting growth ... (they) seek to co-opt local political leaders by bringing them into the pro-growth machine. ... (T)he elites of the growth machine are local real estate owners, bankers, developers, construction unions, and central city newspapers ...” (Harrigan 1991, page 195)

John Harrigan continues by explaining the unitary interest community power theory, as developed by Paul Peterson in his book *City Limits* printed in 1981, as simply the “mutual recognition of the best interests of all of the city’s residents.” (Harrigan 1991, page 196) Such a unitary interest could arise from either a non-partisan or a multi-partisan program or campaign. As examples of unitary interest at work, Harrigan cites quality-of-life development and redevelopment programs, efforts to attract new investment capital, protection of a city’s

export industry base and support for locally based services and manufacturing meeting local needs. This form of integration of the interests of different classes and sectors of a population into a consensus opinion, and a widely supported political/economic agenda, can also result from the institution of the geonomic program of the land-value tax, given a successful education program.

Geonomics may qualify as a unitary interest form of community power in-so-far-as all sectors of a city's population recognize that replacing the taxes on earned income with the land-value tax on unearned income is indeed in everyone's best interest. Once the struggle over control of a city's unearned income is resolved in favor of the theory of geonomics, that city may then represent an example of the integrative or harmonious paradigm of unitary interest community power, as opposed to the factional or conflict paradigm of the growth machine. And many

such cities exist around the world.

Steven Cord writes in *Beyond Left and Right* (See: Center for the Study of Economics in Appendix C - Resources) that, "Land-value taxation has been tried in about a thousand localities throughout the world," He lists: Denmark, the Republic of South Africa, various capital cities in East Africa, most localities in Australia and New Zealand, and some localities in Canada and the United States. To this Dan Sullivan adds in the article, "Pittsburgh: What Lessons?" printed in the Winter-Spring 2001 issue of *The Geogist Journal*, (See: Henry George Institute in Appendix C - Resources) that, "Hong Kong gets more of its revenue from land values than any other country in the world. Beautiful, slumless, Sydney, Australia, which regaled us with the Olympic Games, has a land value tax as its only municipal tax. No building tax, no wage tax, no business taxes, nothing."

Synthesis of Capitalism and Socialism

If capitalism and market theory are the thesis, and socialism the antithesis, then geonomics may be explained as the synthesis of these political-economic theories. The application of the land-value tax suggests that there is no inherent contradiction between capitalism and a just society. The challenge is simply in understanding how capitalism and socialism may work together for the benefit of all. With the implementation of the land-value tax, government would no longer need to socialize wages or the return-on-capital by taxing them. If private enterprise is a primary value, then logically it should not be taxed! Through geonomics only land-value is socialized, while private land ownership remains and effectively becomes more secure since the uses to which the land is put is un-taxed.

This political/economic synthesis is the paradigm change of the new age; an awakening from the conflicting world views with regard to the ownership and control of capital, which was the basis of the Cold War, into a new world paradigm of integration

of the opposing views of socialism, or the ideal of the sharing of wealth for the common good, and of capitalism, the ideal of individual freedom in the pursuit of happiness. As we recognize the value of both socialist and of capitalist ideals when applied appropriately, the two need no longer be in conflict, and instead may be seen as complimentary aspects of a new social contract. This political-economic synthesis is sometimes called Georgism or geonomics. (Note: Keynes' "General Theory" has also been considered a synthesis of capitalism and socialism. See: William Ebenstein, *Great Political Thinkers*, Rinehart, Holt, Winston, 1969, p. 647)

Geonomic theory is the new term given to the ideas originally published in *Progress and Poverty* by Henry George in 1879, just twelve years after Karl Marx's first volume of *Das Capital*. Kenneth Boulding of the University of Colorado wrote of George's ideas, originally called single-tax theory, that, "one cannot help feeling that if only Henry George (who did not believe in class war) rather than

Marx had been the dominant influence of the last years, ... how much richer and happier the world would be.” (Scrofani 1991)

“No nation can avoid land reform. All it can do is determine the course it will take: bloody revolution or taxation.” This quote from James Michener’s *Hawaii* (p. 1017), by the character for General MacArthur’s economic aid during the reconstruction of Japan after World War II, recognizes that property always tends to concentrate into the hands of a few, whether in capitalism, socialism or communism. This is a trend toward centralization that is part of the “iron law of oligarchy.”

By one accounting, roughly 3% of our population owns about 95% of all private land in the U.S. (Meyer 1979) This concentration of land ownership, along with the tendency for land rents to rise as fast or even faster than the productivity increases in labor (wages) and capital (interest), explains the continual erosion of the middle class and the growth in number of the working poor and the homeless, while the rich only enlarge the gap between themselves and everyone else. This problem is generally known. In 1981 Senator Jesse Helms even read into the Congressional Record the state-by-state statistics on the percent of land ownership by percent of population. The radical right blames this situation upon such scapegoats as “the East Coast liberal

establishment” or the “Zionist Occupation Government,” and paramilitary groups are formed to fight against these perceived foes (black helicopters and all the rest). Clearly, there is a great need and a great opportunity for someone or some organization to explain in a national campaign that taxing unearned income is the most effective method of addressing our nation’s economic, political and social insecurities.

And the problem is not just here in America. At the 1988 conference of The Fourth World held in Toronto, Canada, the land-value tax activist Alanna Hartzok stated that Toronto land prices had doubled in the preceding ten years, and that the Mayor of Toronto had received nearly 100% of his campaign contributions from real estate developers. That evening on a late night infomercial about a real estate investment course, a testimonial was given that, “I used to work for a living, until my investments in real estate made me rich!” The connections between this strategy of wealth building and the crisis in affordable housing, the increase in homelessness, and the problem of growing poverty, may not be obvious to everyone. It therefore becomes the responsibility of those who do recognize the problem to educate others, and work to correct the problem. At the same time, it is clear from where the primary resistance to the institution of the land-value tax will come.

Marginalizing Georgist Theory through Obfuscating Economics

There may be no doubt that the land-value tax campaign would incite opposition from real estate and other commercial interests. On the practical, local level this resistance would come from the owners of the most expensive commercial properties. However, resistance would also come from the theoretical, academic level as well. Henry George was a journalist who advocated a practical policy of land and tax reform that not only challenged the assumptions of both business and government, but also the theories of the established economic schools. Academic economists have been engaged in a centuries-long debate which has evidently failed to recognize Georgist theory as a significant macro-economic theory. Perhaps a reason for this is that academicians and their supporters have had no tolerance for any economic theory that specifically seeks to redirect a primary flow of wealth.

The academic debate of economics has involved proponents of various economic theories, such as classical economics as presented in Adam Smith's book *The Wealth of Nations*, published in 1776. Classical economics advocated a laissez-faire or "let it alone" policy toward economics, trusting that the "invisible hand" would show that protectionism, such as mercantilism's regulation of trade, was less effective with regard to economic growth. A hundred years later the concentration of wealth resulting from "liberalism" or classical economics would inspire a range of political-economic challenges to this theory, including populism (including Georgism), socialism, communism and anarchism. The backlash would then be fascism, and all of these political-economic theories would come to flash point in Europe and elsewhere in the 1930s and '40s.

Academic economic departments worked to understand the conflict, and to explain the Great Depression that had immediately preceded it. At Cambridge University in England, John Maynard Keynes wrote, *The General Theory of Investment, Interest and Money* in 1936, developing Keynesian economics, a demand-side theory advocating an active governmental fiscal policy. In the USA the New Deal, the War on Poverty and the Great Society were governmental programs resulting from or relying upon Keynesian theory. At the University of

Chicago in the 1950s and '60s Milton Friedman led the monetarist "Chicago School" in asserting that monetary policy was the most important tool for maintaining a growing economy, which encouraged the theory of "supply-side economics," and the current hegemony of neo-liberal economics. Today "free trade," "structural adjustment," and "globalization" via NAFTA, FTAA, GATT, the EU, the World Bank, the WTO and other programs and policies have resulted. However, as William McEachern wrote, "At this point there is no dominant macro-economic theory about how the economy works. There are still many mysteries and much controversy." (McEachern, 1988, p. 118) Although the demise of communism has occurred since that writing, in the 21st Century there may still be no consensus on macro-economic theory anytime soon, as economic globalization will have to prove itself over the long term.

Henry George contributed to the economic controversy at the end of the 19th Century with a theory about the role of land value in the economy. Yet if there is still a sense of mystery surrounding George's theories, as Mason Gaffney explains in *The Corruption of Economics*, it is in large part due to a concerted effort on the part of academicians to change the way economics was taught, through a semantic argument and redefinition of terms that frustrates students trying to follow George's arguments.

Gaffney explains that several neo-classical academicians, most notably John B. Clark in his writings between 1886 and 1914, and in his debate with Henry George at Saratoga in 1890, sought to erase the classical distinction between land and capital in order to redefine economics in a way that reduces the three primary economic resources of land, labor and capital to two: labor and capital. This dualistic reduction of economics ignored the role of the third factor of production by saying that land is a form of capital, which served to entirely shut Georgist theory out of economic study and debate. (Gaffney 1994, p. 48-49)

The importance of land, of course, is not just in natural resources and agricultural production, but also in fixed commercial location with respect to

population concentrations and transportation centers. In contrast, capital is liquid, flowing increasingly rapidly to where ever is perceived to offer the greatest comparative advantage. Clark's argument was that capital could flow into land just as it could anything else, yet this perception ignores the unique nature of land in comparison to other commodities—the fixed or “inelastic” supply of land. (See: Appendix A: Glossary, “Economic Rent”) Equating land with capital is to ignore that the two have very different economic properties. However, since Henry George had discovered a way to use land value to correct the economic excesses and political injustices of capital, it was found to be expedient to corrupt economics so as to obfuscate the issue of land value. As Mason Gaffney writes, “Rent-taking had to be made to appear useful in functional economic terms. ... It was a radical paradigm shift.” (Gaffney 1994, p. 46-47) In the process neo-classical economists “... emasculated the discipline, impoverished economic thought, muddled the minds of countless students, rationalized free-riding by landowners, ... rationalized chronic unemployment, hobbled us with today's counterproductive tax tangle, ... shattered our sense of community, subverted a rising economic democracy for the benefit of rent-takers, and led us into becoming an increasingly nasty and dangerously divided plutocracy.” (Gaffney 1994, p. 30-31)

Today it is difficult to find reference to, let alone discussion of, Georgist theory in any economic textbook. In order to study Henry George's theories, now developed in the concept of “geonomics,” one

must contact those organizations that have been created specifically to advocate land value tax reform. (See Appendix C: Resources) As it is probably unlikely that academic economics departments would focus upon geonomics until it becomes widely applied, it is necessary to look to other sectors of society and culture for possible support and advocacy.

As the single-tax movement was once a part of the populist agenda, geonomics could help to invigorate any resurgence of populism today, such as what the Green Party aspires to lead. Another possibility is for geonomics to be accepted and advocated by the environmental movement, as the Sierra Club is beginning to do, in the context of the how the land-value tax can help to reduce urban sprawl. (See the section: Applied Geonomics)

Ralph Nader, the Green Party candidate for president in 2000, stated in the article, “The Decline of Urban Civilization: The Sprawl Years,” printed in the May 12, 1998 issue of the *San Francisco Bay Guardian*, that, “Site-value property taxation may ... spark greater development in cities by taxing land, not buildings. Unlike traditional taxation—which rewards developers who put up cheap, tacky housing and strip malls—site-value taxation gives developers the incentive to build gracious, durable buildings. Allowances for affordable housing, however, need to be part of site-value schemes.” Adding geonomics to the Green Party platform would serve to support a number of Green values.

An Earth-Centered Spiritual Ethic for a New Millenium

The application of geonomic theory in the appropriation of unearned wealth for use for democratically determined agendas, rather than for private property, can result in an economic system expressing the values of social and of environmental responsibility. For this reason geonomics could be adapted for use by religious and other spiritual organizations which are concerned about issues such as justice, peace and the stewardship of creation, in their efforts to engage in outreach programs reflecting their values. If presented in a balanced way such that neither compromises the other, economics and spirituality can be wrought into a synergy supporting geonomics in a way similar to how the “protestant work ethic” supported mercantilist, classical and later economic theories. The holistic view that economics and politics must reflect spiritual values provides the opportunity for presenting geonomics as more than just a utilitarian economic process, but also as a philosophically and ethically appropriate policy paradigm for an increasingly globalized market culture.

Particular religious or spiritual traditions would represent or integrate geonomic concepts in ways relevant to their own creed or doctrine, and ideas for how this might be done are being suggested for different spiritual traditions.

With respect to Buddhism, Julien Gross wrote in the article, “Merging Politics with Religion Can Bring New Light,” in the winter 2000 issue of *Land and Liberty*, published by the Henry George Foundation of Great Britain (See Appendix C: Resources), “What a wonderful ... concurrence, of two most human philosophical currents: the Buddhist claims to equal value of all individuals in society, and the Geodemocrat claim to equal rights to life and land for all. The sanctity of human rights at last flowing organically from human creativity and the equitable use of land and its resources.” Gross explains that one of the commandments of the Buddha in the Lotus Sutra is “Kosen Rofu,” translated as “The Mystic Law” or the “Law of Life,” and also simply as “Truth and Justice.” Julien Gross connects these abstract values with the practical concern that Henry George expressed for applying truth and justice to economics and the question of control of the wealth derived from land.

In many earth religions, most pagan and probably also the animist religious traditions, we can certainly find expressions of respect for nature as a common endowment. Two relevant quotes are: “Land belongs to a vast family of which many are dead, few are living and countless members are still unborn.” This is an Ashanti Tribal saying from Ghana, West Africa. In North America we have the famous phrasing by an East Coast reporter of a speech by an American Indian leader: “How can you buy or sell the sky, the warmth of the land? The idea is strange to us. If we do not own the freshness of the air and the sparkle of the water, how can you buy them?” Attributed to Chief Seattle, Suquamish Tribe, 1854.

For the Christian religious tradition, the issue of land reform has accompanied Christianity through its entire history in Western civilization, and elsewhere as well. Historically the “enclosure of the commons” resulted from the taking of common lands for private profit during the beginning of the market economy in England and Northern Europe, and the resulting impoverishment of many formerly self-reliant peasants. A similar history is explained in the phrase, “Roma Latifundia delenda est,” or “the great estates destroyed Rome,” written by Pliny the Elder (AD 23-79) (Sapiro 1995)

The ability of the Roman aristocrats (called patricians) to take as their own the common lands was challenged by a succession of tribunes (magistrates elected by the common people or plebians, to protect their civil rights and liberties), but the patricians always prevailed. Around 130 BC the tribune Tiberius Graccus stated, “The wild beasts of Italy have their dens and caves of abode. But the men that fought for their country have nothing else but air and light, and are compelled to wander up and down with their wives and children having no house or resting place.” Tiberius was later assassinated. Many thousands of free Romans had no shelter but the public halls and temples, and no provisions except what came from public storehouses and charitable gifts. (Sapiro 1995)

Two thousand years later we finally have the land-value tax to address the homelessness problem. Yet in many ways our society has the same problems as did they in Ancient Rome. For example, in America,

half of our Western region is Federal land, a national “commons” including 46% of California, yet much of this land is monopolized by agricultural and timber interests, resulting in a form of corporate welfare called “cowboy socialism.” (Sapiro 1995) As in Ancient Rome, we are now also seeing threats and actual violence against those in the government who work for the people’s right to common benefit from common lands.

The fall of Rome was not so much due to the strength of the invading Visigoths and Ostrogoths, as similar challenges had been stopped before. Rome fell more because of the loss of the resolve of its people to defend it. Much of that resolve, on the part of many governmental leaders as well as many other citizens, went into the new religion of Christianity, which eventually gave us the “Protestant work ethic” and the expansion of the market economy to a global system. Thus, we are today confronted with the same problem faced by the Romans—massive disparities in wealth and privilege destroying confidence in the government. This is a problem that we can correct if we recognize the difference between earned and unearned income, and carry out the appropriation and general sharing rather than hoarding of the latter.

The difference between America and Ancient Rome is that we do not have a barbarian invasion force on our borders waiting to send us back to the Dark Ages. Although there are prophecies of a great battle between good and evil, it looks more likely that our future will be one of increasing social stratification, with a few isolated, sinfully rich people growing ever more concerned about the masses of meek, working-poor around them who have been promised the inheritance of the earth. Today a mere 1% of the richest Americans possess greater wealth than the bottom 90%. (See: David Kotz, “How Many Billionaires Are Enough?” *New York Times*, 19 October, 1986, reported in Hartzok 1997)

The wild card in this stacked deck, however, is the prophesied “Second Coming of Christ,” formerly thought to be due at the change of the millennia. The first time he visited he was asked about paying taxes to Rome. His evasive answer meant that he was only concerned with spiritual matters, not temporal. We might hope, however, that during the Second Advent we will be told, when we ask again about paying taxes; “Render unto yourselves your earned income, and unto the service of the Lord the unearned

income.” In this ideal, governmental services paid by taxing unearned income, as through the proposed Global Resource Bank (See the section: “Finding Economic Justice in Taxing Unearned Income”), would serve all of the people in a global “Kingdom of God.”

In fact, many of the world’s religions, not just Christianity, teach of a coming period of peace and plenty (usually after a period of tribulation), and fulfilling this prophecy can become a multi-faith goal for united action toward global adoption of the land-value tax. As many of the world’s religions express a respect for our need to steward our natural resources, and to share the wealth derived from creation, geonomics may be recognized as a means of applying these spiritual ideals. If we have a good idea of how to create this better world, we must not ignore the calling to work to help bring it about!

Max Weber noted a similar consensus between spirituality and economics in his book, *The Protestant Ethic and the Spirit of Capitalism*. Weber wrote that, “... labour came to be considered in itself the end of life, ordained as such by God. ... Unwillingness to work is symptomatic of the lack of grace.” (Weber 1904, p. 159) While the Puritan ethic of “Work hard in your calling” (Richard Baxter in *Christian Directory*, c. 1650) follows an ascetic lifestyle of denial of material indulgences, the Quaker ethic “set the clean and solid comfort of the middle-class home as an ideal” sanctioned by God. (Weber 1904, p. 171) Yet the tendency of the market system has been toward a divorce of spirituality from economics. “In the field of its highest development, in the United States, the pursuit of wealth, stripped of its religious and ethical meaning, tends to become associated with purely mundane passions, which often actually give it the character of sport.” (Weber 1904, p. 182)

Presenting geonomics in the context of the values of social and of environmental responsibility makes the case that the land-value tax is consistent with spiritual and religious values, and serves to bring the ideal of fair play back into the economic arena. Relating geonomics via spiritual ethics could result in a common ideal shared by all the world’s religions, effectively gaining mass acceptance for an elegant solution to age-old problems.

Applied Geonomics: The Local Option

One of the positive aspects of the land-value tax is that it is appropriate for use on the level of the smallest governmental jurisdictions, whether village, town, city or county. However, since in the USA state and county tax structures are regulated by state legislatures, the switch to the land-value tax can not happen in a given local government until the state provides for the change (called a local option). Fortunately, the groundwork has already been done. Herman Daly and John Cobb state that, "A model law encouraging this tax reform has been drawn up by the American Legislative Exchange Council and published in the 1987-88 Source Book of American State Legislation." (Daly & Cobb 1989, p. 328) Currently, the state of Pennsylvania permits its cities and some school districts (those that have the same boundaries as third-class cities) to adopt the split-rate property tax. And recently it was discovered that a long forgotten law in Maryland passed in 1916 permits all of its municipalities except Baltimore and the state's county governments to adopt the land-value tax. Efforts to expand this local option exist in Pennsylvania and Maryland. (Hartzok 1997) (Note: For the effort in Maryland, contact the Conservation Chair of the Maryland Sierra Club, PO Box 1227, College Park, MD 20741. [Rybeck, 1996])

The support of the Sierra Club for the land-value tax is due to the slowing of urban sprawl as a result of the institution of this tax. The environmental organization has rewritten its land use policy statement to include: "Tax laws should be modified to ... prevent low-density sprawl." One of the causes of sprawl is land speculation, or the tendency for urban landowners to keep land or buildings vacant or under-utilized to avoid the tax on improvements while waiting for their property to appreciate in value. The result is boarded buildings and vacant lots used as dumps, corporate flight to the suburbs and urban decay. In contrast, the land-value tax provides two incentives for landowners to maximize the utility of their land. First, since the tax is on land value as determined by the market rate (economic rent), then a land owner must make the greatest utility of the land in order to pay the taxes, or sell it to someone who will. Second, since the LVT reduces or eliminates the tax on improvements, there is no disincentive to prevent new construction. The result is that businesses continually revitalize the city

centers rather than move out to the suburbs. In this way, the pressure on open-space land is relieved, resulting in the LVT being an environmentally friendly tax scheme, and earning it the name "geonomics."

Logically, what follows from the LVT incentive to build is an economic stimulus for any locality that institutes the tax. Nicolaus Tideman, professor of economics at Virginia Technical University, and Florenz Plassmann found in their study that the change in the rate of new construction in 15 two-rate cities in Pennsylvania was greater than the change in 35 cities in the same state that had not gone two-rate. (Cord 1996) This study confirmed what the Henry George Foundation of America had found in its own, less scholarly studies. In one such study, the rate of change in building permits issued in Aliquippa and Ambridge, Pennsylvania, sitting opposite each other on the Ohio River, was compared before and after Aliquippa changed to the two-rate system. Aliquippa's permit applications increased by nearly 200% while Ambridge's decreased 30%. (For the Tideman/Plassmann study titled, "The Impact of Two-Rate Property Taxes on Construction in Pennsylvania," send \$5 to the Henry George Foundation of America. (See Appendix C: Resources.)

The economic stimulus resulting from the application of the LVT is a selling point for the tax program, since it is clearly not an anti-development tax. On the contrary, tax revenues increase without an increase in the tax rates, simply because of the increase in value of real estate undergoing economic development. For this reason the newsletter of the Henry George Foundation of America is called *Incentive Taxation*. (See: Center for the Study of Economics in Appendix C: Resources).

Among the questions raised about the LVT is the concern that landowners will simply pass their increased site-value tax to tenants. The general consensus among economists is that the land-value tax can neither decrease the supply of land, nor increase the demand for land, and thus the market rate for rents would not be affected by an increase in the property tax. (Cord 1991 & 1996) Land is unique in this respect, since normally we don't increase or

decrease the amount of land, only change the use to which it is put. Unlike any commodity which tends to become scarce when taxed (such as wages), the amount of land does not change with the increase or decrease of the land tax. With no change of supply or demand in the rental market resulting from the land-value tax, landowners cannot raise rents without pricing themselves out of the market. The incentive for landlords is to make improvements on their land from which the market will permit a greater return. Since the land-value tax tends to encourage construction when the tax on improvements is low or zero, the supply of rental units tends to increase, further encouraging the improvement of the local economy. Additionally, since the land-value tax is a disincentive for land speculation, causing landowners to place land on the real estate market that they would otherwise hold for a future increase in price, the available supply of land would increase, thus helping to keep rental costs down.

A concern, however, is the possible error of making too drastic a change too quickly. It is recommended

that the tax shift, increasing land and decreasing building taxes be revenue neutral, at least initially not changing the amount of tax received. Then shift no more than 10% or 20% of the taxes off of buildings onto land each year. This provides time for community education, and for making adjustments such as for affordable housing. (Hartzok 1997) See the “tax burden alleviation options” in the section, “Basic Geonomics.”

Another concern is often expressed with regard to the issue of “development.” As a pro-growth policy, the primary value of geonomics is that it channels economic development in an ecologically responsible as well as a socially responsible direction. Geonomics works to assure that the impact of development is as light as possible upon existing ecosystems and socio-cultural traditions. The House of Representatives, Committee on Banking, Finance and Urban Affairs, of the 96th Congress recognized this in its report titled, “Compact Cities: Energy Saving Strategies for the Eighties.” (Hartzok 1997)

Applied Geonomics: The Community Land Trust

An application of geonomics on the level of private, voluntary, nonprofit organizations is the use of land-value in determining the cost of leases paid by leaseholders on land owned by a community land trust (CLT). CLTs serve to secure title to land for the use of people, and may be used to assure the ecological value of land, through a nonprofit ownership structure which removes the land from the speculative market. This “decommodification” of land maintains the affordability of land and housing since under the CLT the land cannot be sold. With a fair lease fee, there is no need for those who obtain a CLT lease to borrow mortgage funds to purchase land, thus lowering the cost of housing on, and other uses of, land held by a community land trust. Not all community land trusts involve the use of geonomic theory. Those that do are careful to separate the value of land from improvements in order to set the lease fee entirely upon the economic rent of the land.

Notice that in addition to lowering the cost of housing while providing secure title to land, the community land trust model also serves to remove land from the speculative, investment market, preventing the inflation of land value, and thereby slowing the rate of economic inflation in general. In contrast, freehold land tenure permits investment and speculation through the commodification of land. And it is precisely this problem of the increasing cost of land and housing that becomes a major factor in homelessness, poverty, and related social problems.

It is the decommodification of land through the community land trust that led the United Nations Center for Human Settlements (UNCHS or Habitat) to include information on the community land trust model under the category of “Land Ownership” on its “Global Campaign for Secure Tenure” Website: www.unchs.org/tenure

In the article by Alanna Hartzok, titled “Land for People, Not for Profit” in *Green Revolution*, and titled “Securing Land for People” in *GroundSwell*, (Hartzok 1999) the CLT is presented as an alternative to freehold land tenure, supporting the recommended policy approaches of the UN Habitat II Action Agenda from the 1996 conference in Istanbul, printed in the document titled, “Ensuring Access to Land” (section B.3.c.). This document recommends land value assessments, land-based forms of taxation, land value recapture, and technology and education programs to support land administration systems.

In her article Alanna Hartzok explains the basic design, function and value of the community land trust:

A community land trust is a legal not-for-profit landholding entity with a democratically elected board and transparent accounting procedures. A CLT issued land lease clearly demarcates land boundaries and which individual or groups are granted secure tenure and use rights to a particular parcel of land. ...

A CLT lease clearly states the use for which the land is being leased, including environmental covenants, the amount of land rent to be paid into the Trust, and the method of calculation for determining land rent. It also includes sublease and termination agreements and defines a process of arbitration should there be any conflicts.

The money collected from land rents can be allocated for (1) capitalization and maintenance of needed community infrastructure—water, sewage, transport, public safety, and education, and/or for (2) interest-free revolving loan funds made available for housing construction and the development of small or cooperative business activities.

This approach provides needed services without taxing labor or productive capital and takes private profiteering out of banking and loan arrangements. Freed from taxation, production can proceed efficiently. Freed from usury the money system can now begin to function like a public trust.

Land tenure, taxation policy, and banking systems are all intricately interrelated. As we address all three in a just and equitable manner we will surely see wonderful progress in securing quality affordable housing and useful employment for all. (Hartzok 1999)

The community land trust model has a long history, with many different influences contributing to its development. The first intentional communities in this tradition were called “single-tax colonies,” directly inspired by Henry George’s writings. It was five Iowa Populists who founded the Des Moines Single Tax Club, and out of that group arose the idea and plan for the first community or cooperative colony based on the single tax. (Fogarty 1980) In 1895 Fairhope, Alabama was founded, inspiring others to found Arden, Delaware in 1900. These two single-tax colonies exist today as municipalities, with some of the original systems and descendants of the founders. Other single-tax colonies included, Tahanto, MA (1909-1934), Free Acres, NJ (1910-1950), and Halidon, ME (1911-1938); with ten in all, the last one founded being Wall Hill, MS (1932-?). (Miller 1998, Fogarty 1980)

In 1936 the first Georgist principles-inspired intentional community network was founded by Ralph Borsodi and friends, called the School of Living (SoL), with Bayard Lane, NY (1936) their first community. Other communities influenced by SoL in that era include VanHouten Fields, NY (1937), Bryn Gweled, PA (1939), Sky View Acres, NY (1948), Tanguy, PA (1945), and May Valley, WA (1957). During World War II these and other communities were havens for pacifists, especially Quakers, choosing the peaceful, sharing lifestyle.

The second community land trust organization was Community Service, Inc. (CSI), founded in 1940 by Arthur Morgan, the first chairman of the Tennessee Valley Authority and later president of Antioch College. Morgan founded Celo Community, NC (1936) which was the first to be described as a “community land trust.” The Vale, OH (1959) was organized by people associated with the CSI office in Yellow Springs, OH, including Griscom Morgan. After World War II CSI formed the InterCommunity Exchange to aid the exchange of products made by communities, and in 1948 this evolved into the Fellowship of Intentional Communities (FIC), with a focus upon facilitating visits among and meetings of a range of different communities. The FIC provided mutual support for communities in the Eastern states through part of the Cold War, becoming dormant in 1961. In 1986 the FIC was reorganized as the Fellowship for Intentional Community, with a much more inclusive, continental scope, providing outreach and networking services. (Questenberry 1990)

Back in Yellow Springs, Ohio, Robert Swann became familiar with CSI and SoL, and in 1967 he and others formed the International Independence Institute (III) in Massachusetts, merging ideas from CSI and SoL along with influences from the Gandhi influenced Gramdan village commons movement in India and the Jewish National Fund which provided land for moshavim (land co-operatives) and kibbutzim (communal societies) in Israel. Swann contributed to the CLT movement the design of having a board-of-directors comprised of activists and technical experts from the wider community, who did not live on the entrusted land. This was seen as the best insurance against the residents of the land deciding to dissolve the community and profit from the accumulated real estate equity. With this design the III became the Institute for Community Economics, MA (ICE), now with an extensive network of associated CLTs, none of which, however, involve Georgist land rent programs. (Questenberry 1990)

There is today a large range of different forms of community land trusts scattered over the continent. Most of the ICE inspired or affiliated CLTs are in urban areas. The ICE estimated that, “There are now more than 100 established and developing community land trusts around the country.” in its *Putting Communities in Control, Ten Year Report: 1984-1994*. Many other individual and regional CLTs can be found in rural areas. In addition, there is also a large number of preservation land trusts such as forest land trusts and agricultural land trusts, some of which involve only certain easements placed in trust, rather than the actual land title. It is difficult to get an accounting of the full extent of this movement.

CLT of the Southern Berkshires

Robert Swann joined with others to found the E. F. Schumacher Society, MA in 1980, and in 1981 formed the Community Land Trust of the Southern Berkshires, returning to the Georgist model.

Through applying the Georgist land value tax to community owned and controlled land it is thought that not only would this bring economic justice to those particular parcels of land, yet potentially also to the local economy. “In the long term if a Community Land Trust is able to control a fair proportion (perhaps 10%) of the land in the larger community, it might be in position to act as a stabilizer of land value and also be in position to have a strong influence on local public policy relative to the land

and particular zoning laws.” (See: Robert Swann, “Tools for Community Control of Development,” *Community Service Newsletter*, Vol. 36, No. 6, Nov/Dec 1988, p. 2. Community Service, Inc., PO Box 243, Yellow Springs, OH 45387)

As the CLT of the Southern Berkshires is a state nonprofit organization, it affirms that it is not necessary to have 501(c)(3) tax-exempt status to hold land in trust. However, in order to apply the model to tax-exempt organizations Robert Swann also developed the model of using the “Title Holding Corporation”[501(c)(2)] for holding single or multiple parcels of land under a parent tax-exempt organization [501(c)(3)]. This is the “regional community land trust” model, adopted in 1983 by the Ozark Regional Land Trust, Inc. (ORLT).

Ozark Regional Land Trust

The Ozark Regional Land Trust has completed over 25 projects protecting over 5,000 acres of land (as of 2001). Four projects are CLTs utilizing the 501(c)(2) CLT model in Missouri and Arkansas. They are: Hawk Hill (1986), Sweetwater CLT (1987), Ninestone CLT (1996), and New Pear Farm (1996). Other forms of working landscapes that involve long-term ground leases from ORLT include the 4,000 acre Alford Forest project, the 3 acre Sarcoxie Spring land, and the 40 acre Hamilton farm. Conservation easements are also used to protect the conservation values of natural resources and open space influencing some aspects of community growth and development.

The School of Living

The School of Living continues to use Georgist programs, with its new beginning starting in 1976 as a regional community land trust (RCLT). Deep Run Farm, PA was donated to the SoL RCLT in the late ‘70s, but by the early ‘80s the land was abandoned, then sold, with the funds used to create the SoL Land Trust Fund. Deep Run was the first independent CLT to recycle its assets into the larger CLT movement. Since then the SoL Land Trust has grown to include five communities (as of 2001): Heathcote in MD, Common Ground (1980) and Raven Band both in VA, Birthright Leasehold and Julian Woods (1970) both in PA. (Questenberry 1990)

The School of Living provides a good model for the application of Georgist principles, or geonomics, to the holding of land by a nonprofit organization.

Although the SoL is a tax-exempt organization, this model can be used by a simple state nonprofit. Aspects of the SoL model include:

- Charge a lease fee based on the market rent value of the land
- Portions of the lease fee pays land taxes, funds additional land purchases, and may be used for other purposes as the trust and the community decide (e.g., soil conservation, wilderness and other community commons upkeep, various subsidies)
- Split the rights of ownership. Stewardship and use rights for the community members, who often form a homeowners association (IRC 528), and the balance in a trusteeship governed separately by the regional land trust

The SoL Land Committee's conditions for a perpetual land lease for a new community are:

- Land rent is determined by approximating the economic rent for the land. Probably between 5% and 10% of the land value, with the later being the case for land purchased by SoL.
- Some ecological restrictions may apply.
- The land must be used and/or open for some public educational purposes.
- The particular group of people leasing the land would need to demonstrate some degree of stability or responsibility to justify entering into such a long-term agreement.

SoL's general principles for investing in a new CLT:

- The SoL Land trust is not a philanthropy, and the lease fee is not based on the principle "ability to pay"
- SoL is willing to include a graduated step-up lease fee formula for land leased by a new community.
- The SoL Land Trust lease fee is usually set at 5% to 10% of the fair market value of the land only.

The SoL Land Rent Formula

The annual land trust rent is calculated according to an agreed upon formula and paid quarterly to the Lessor by the Lessee.

Example 1 (Goldstein 1987, Common Ground):

$$\text{Annual Rent} = T + (X+Y) (U) (K)$$

known as the "rent formula." In this formula:

- T equals the taxes assessed against The Land by any government or government agency.
- X equals a set amount of money (specific to parcel)
- Y equals a set amount of money for each person of majority age living on The Land during the preceding

year for a period of ninety days or longer.

- U equals the use factor applied to The Land for alternative uses of The Land. It is agreed that the use factor for this land with the uses as enumerated in "Use Restrictions" below, shall be one (1). Should the Lessee ever desire to use The Land for purposes other than those enumerated below, a new use factor will be negotiated between the Lessee and the Lessor.
- K equals the inflationary or deflationary factor and shall be calculated the first day of February of each year. K shall be composed of the change (either + or -) in the Consumer Price Index (CPI) published by the United States Department of Labor using a base year (to be determined), added to the change (either + or -) in the Farm Real Estate Values (FREVE) for the county in which The Land is located and dividing the sum by two. This average shall be expressed as a percentage which is then used to increase or decrease the previous year's K factor, the K factor for the base year being one (1.0). The CPI increment shall be calculated annually and the FREVE increment shall be calculated by taking the most recent "5-Year Census Reports" as compiled by the United States Department of Commerce, Bureau of Census, Census of Agriculture, Geographic Area Series Report that are ten (10) years apart and calculating the average annual change. This change is then used each year until a new "5-Year Census Report" is published.

Use Restrictions

- All income producing activities shall be consistent with the goals and purposes stated elsewhere, and shall not employ more than X% of the work force or more than X persons from non-residents of the land, whichever is greater.
- A soil conservation plan will be implemented in conjunction and cooperation with the Lessor.
- The use of poisonous substances shall be limited to and shall not exceed standards as established in cooperation with the Lessor.
- The maximum number of residents, over the age of 18, shall not exceed X persons at any time. A resident on the land shall be defined as a person who has lived on the land for a period of six consecutive months.
- Domesticated animals shall be limited to X animal units per acre. An animal unit is defined as: ...
- Air and water pollution shall not exceed standards established in cooperation with the Lessor.

Example 2 (Goldstein 1995, Deer Rock):

$$\text{Annual Rent} = T + M + (X+Z) (K)$$

In this formula:

- T (see example 1)
- M equals the mortgages currently outstanding against The Land or any future mortgage on The Land entered into under the “Encumbrance” provision. ...
- X (see example 1)
- Z equals the payment on SoL’s equity. The beginning equity SoL has in The Land, with an agreed payment of five percent per annum or X amount adjusted by (K). At any time the Lessee may make payments on the principal. ...
- K (see example 1, except substitute “CPIU” for “CPI,” the “Consumer Price Index for All Urban Areas”)

Land Only. This lease covers land only. It does not include buildings, or any other improvements on the Land. ... Improvements shall be defined as including but not limited to anything which improves the value of the real estate and is the result of human labor such as buildings, water systems, septic systems, wells, fences, trees and perennial plants, roads, dams, increases in soil fertility and so forth.

Minerals. This lease does not convey any minerals lying more than one meter below ground level, except that the Lessee may make reasonable use of such minerals for its own purposes but not for sale. In the event the Lessor shall desire to extract minerals it shall be on conditions satisfactory to the Lessee. For purposes of this paragraph, the word “mineral” shall include all extractable natural resources.

Trees. This lease does convey the right to all plants on the Land, including trees. Trees and other plants may be cut and sold or used on the Land at the Lessee’s discretion and to the Lessee’s benefit, with the restriction that such cutting must be done so as to not cause erosion or other ecological deterioration of the Land for future users.

Water Rights. It shall be the right of the Lessee to make use of any and all water flowing across the Land, from springs on the Land, or standing as ground water at shallow or great depth, for any purpose consistent with sustainable use of the land.

Individual Sub-Lease or
“Personal Homestead Area Agreement”

In addition to the lease agreement that the community

has with the regional land trust, each individual householder has a lease agreement with the community (which may be incorporated as an IRC 528 homeowners association, or as a nonprofit or other corporation). This agreement may cover definitions such as “community land” & “member,” purpose, duration/termination/liability/severance, fees, taxes, ownership of developments, transfer of developments, ecological restrictions, inspection, and rights to privacy and quiet. (Goldstein 1995, PHAA)

Lease vs. Deed

In a series of email messages involving a concern explained by Robert Forsberg of the Julien Woods Community regarding ownership structures, Herb Goldstein of the School of Living Land Trust and Gregg Galbraith of the Ozark Regional Land Trust explain the difference between lease and deed ownership, and present the social and environmental advantages of the lease over the deed.

Robert: One thing that seems for many a disadvantage of the lease that they believe the deed not to have is if they wish to sell and move on They are all saying they can relinquish right to speculate; but the ease of selling just to be able to move and retrieve their equity seems inhibited by the lease situation...

Herb: I think any lawyer will agree that technically it is no more difficult to enforce rights you have under a lease compared to rights you have under a deed. ... A lease may be less marketable than a deed because of the restrictions as to use or who you can transfer it to, but these restrictions are the basic understandings of what we would like to see different. We are creating an alternative form of ownership.

Herb: Equity leases are being used by CLTs around the country. The lease can be inherited, or not, depending on what the community decides. This and other rights in general are decided before the lease is signed, and once signed between the community and homeowner, neither party can change it unilaterally.

There is definitely a need in the CLT movement for a revolving loan fund to serve our kind of leases. There are several funds serving low-income limited-equity CLT leases. ... (a) bank could give a mortgage by holding a deed in escrow. So there would be extra legal costs ... (**Note:** The CLT of the Southern Berkshires and School of Living provide financial assistance & monetary policy information.)

Conclusion

Getting Henry George's ideas about taxing unearned income out of the realm of non-decisions and into the American political/economic debate is an opportunity waiting for a sufficiently broad-based, progressive organization to take advantage of this proven economic program, and the many allies that it has gained over the years, for its own and its nation's benefit.

We may view Henry George, and American government's failure to embrace his land-value tax idea, in the same way that we view W. Edwards Deming's experience of trying to convince American corporations to accept his ideas of total quality management. Ignored at home, Mr. Deming went to Japan to apply his ideas. Only when Japanese corporations began out-competing American corporations was Mr. Deming recognized at home. Interestingly, both Japan and Taiwan, two of America's greatest economic competitors in the 20th Century, were introduced to Henry George's ideas. Dr. Sun Yat-Sen, architect of the Chinese nationalist government which controls Taiwan, and General Douglas MacArthur who wrote Japan's constitution, both incorporated Georgist theory into the design of those post-war governments. Therefore, Henry George may be credited in part, along with W. Edwards Deming, for those nations' economic success, although neither nation has fully applied Georgist theory.

Geonomics or Georgism has many positive attributes to recommend it to any organization's program of economic and political reform, even to bi-partisan and multi-partisan coalitions. Geonomics is a macro-economic theory consistent with basic supply and demand concepts. It provides for economic development and center-city economic renewal, reduces suburban sprawl, and encourages environmentally responsible land management. Geonomics creates an ethical and moral context for economics in its respect for both private and common property, and its balance of individual concerns with social needs. And further, geonomics' encouragement for the stewardship of the earth, and for the sharing of the bounty of creation, can become a spiritual ideal recognized and advocated by a multi-faith coalition of organizations. Such a multi-partisan, pro-growth, earth-centered spiritual ethic

could serve as a broad-based, "unitary interest" foundation for the expression of community power.

Alanna Hartzog, one of the most insightful and articulate geonomic advocates today, expresses the importance of our recognition that political democracy by itself is not sufficient for us to realize a just and peaceful society. We have to develop and utilize our community power to assure that we build an economic system that also supports the values of justice and peace.

Land tenure in the West, as far back as the Roman Empire, has been rooted in the legalization of title to land originally acquired by conquest and force. Democratic political rights have not given us democratic economic rights. We can exercise our right to free speech all day long but it in no way guarantees that we can have a secure place to sleep at night.

Democratic systems of governance have not given us equitable land tenure systems. ... In no instance today do democratic governments affirm the equal rights for all to the land and resource base that sustains all life. This reality is important to keep in mind when considering how to implement truly equitable systems of land tenure today.

The intensive dimension of the land problem is what we confront as an economy "develops" under the current capitalist system. The intent to make money from land as a commodity and an investment is called "rent seeking." As development proceeds land values rise. Some few people are in positions to collect the increased land values, while other people have to borrow money from banks. Banks then collect ever increasing ground rent—the profit from increased land value—as private profit. Investments are made, production increases, land speculation continues, and land values increase more rapidly than wages. Governments then increase taxes on middle class wages in order to pay for welfare programs for the poor. But soon workers are pressed down again to subsistence levels and below and the middle class gets angry or perhaps just depressed The shining hope of progress has been dashed to pieces upon the hard rocks of wealth concentration.

Note that the world's richest 20% now pocket 86% of the world's gross domestic product; the middle 60% has just 13%; and the poorest 20% have but 1%. The income gap between the top fifth and the bottom fifth is now 74 to 1, compared to just 30 to 1 in 1960. (From the 1999 UN Development Report)

We see now, how it has come to pass that the assets of the world's 200 richest people more than doubled between 1994 and 1998, to over \$1 trillion. How the world's three richest people have come to have assets greater than the combined economic output of the 48 poorest countries, and the root cause of why 55 nations have seen real per capita incomes decrease over the last decade. (UN Development Report 1999) The human relationship to the earth is a most fundamental and basic relationship. In the capitalist system, this most important relationship is established on the basis of conquest and commodification.

This criminal maldistribution of wealth must be stopped. We need to make some fundamental changes. We need political and economic systems based upon the human right to land and resources. We need governance and land titles that can secure tenure and a genuinely free AND fair

market system for all. Land values must be delinked from the privatization category, the debt and private banking system delinked from its backing in land, and labor must be freed from taxation. (Hartzok 1999)

Through its focus upon using local community power to tax economic rent, geonomics addresses many of the fears of those who are concerned about the increasingly negative influence of global economic forces such as transnational corporations in their community. We have now two effective methods for applying geonomic theory, one for public policy and one for private applications. The first includes model enabling legislation along with studies of the positive experiences in American cities that have instituted the land-value tax. The second involves models of community land trusts applying geonomic principles to land rent in private nonprofit organizations.

Individuals who recognize the value to society of managing our economy and our natural resources through geonomic theory and processes can be active in both these applications, public and private. These two models of geonomics, complete with the necessary groundwork and basic resources, are available for further applications of geonomic theory.

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Appendix A: Glossary

Earned and Unearned Income - Refers to the concept that different factors contribute to individual income or corporate revenue. The return on labor (wages) is a form of earned income. The return from land (rent) resulting from access to natural resources, government services and the proximity to population concentrations is unearned income.

Economic Rent - “(T)hat portion of a resource’s total earnings that is not necessary to keep the resource in its present use ... (or) a surplus over transfer earnings.” “Transfer earnings can be thought of as the resource’s opportunity cost.” p. 618 (Opportunity cost is, “the benefit expected from the best alternative that is forgone.” p. 28) “(W)hen a resource supply curve is vertical (perfectly inelastic [Ed. note: for example land is considered to be in fixed or “inelastic” supply]) all resource earnings are in the form of economic rent. When resource supply is horizontal (perfectly elastic), all resource earnings are called transfer earnings. And when supply is upward sloping (an elasticity greater than zero but less than infinity), earnings are divided between transfer earnings and economic rent.... (I)f a resource is in fixed supply, the demand for the resource will dictate the price.” p. 620-621 (See: McEachern, William A. 1988. *Economics: A Contemporary Introduction*. South-Western Publishing Co., Ohio.)

Economic Rent - “A payment to a factor beyond what is needed to put that factor into use.” (See: Foldvary, Fred. 1998. *Dictionary of Free Market Economics*. Page 121.) “The factors are land, labor, and capital goods. Economic rent is the total payment received by a landlord that does not affect his decision to put the land into use.... ... All land rent is economic rent. ... The rental paid by a tenant includes payments for wages and capital goods besides the land rent. ... Rent is pure profit. Land is already there, so no payment is needed to the titleholder to provide it. ... Suppose a property consists of a \$100,000 building and \$50,000 land, and the interest rate is 10%. A tenant rents the property for \$18,000 per year. \$3000 goes to pay wages to the owner or manager. \$5000 is economic rent for the land. \$10,000 is for the rental of the building. The \$5000 is the part of the rental payment that does not affect the decision of the landlord.” (From email messages: 2/29/2000, Fred Foldvary)

Geonomic Theory - Literally: earth management theory. Geonomics respects individual’s right to enjoy tax-free private property, and the community’s right to tax the income derived from natural resources via user fees and severance taxes, and to tax the market value of land created by governmental services and population concentrations via a land-value tax. The term “geonomics” was coined in 1982 by Jeff Smith. See: The Geonomy Society, Appendix C: Resources.

Site-Value Tax and Land-Value Taxation - Refers to the tax upon, or the process of taxing, only that portion of property value which results from unearned sources of income; natural resources, government services and proximity to population centers and therefore markets (e.g., consider the maxim that, “the three laws of retailing are: location, location, location”).

Two-Rate Property Tax - Refers to the assessment of property taxes on the basis of two factors: the value of the buildings and improvements currently in the land, and the value of the site, or its economic rent. Geonomics assumes that the tax on improvements will be low (or zero), and that the tax on the site value will be high (up to 100%).

Appendix B: Quotes

Originally compiled by Jeff Smith

Men did not make the earth ... It is the value of the improvement only, and not the earth itself, that is individual property.... Every proprietor owes to the community a ground rent for the land ... he holds.

Thom Paine (1737-1809)

Ground rents are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Ground rents are, therefore, perhaps a species of revenue which best bear to have a particular tax imposed upon them.

Adam Smith (1720-1790) *The Wealth of Nations*

Landlords grow rich in their sleep without working, risking or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title.

John Stuart Mill (1806-1873)

The earth belongs to the people. I believe in the gospel of the Single Tax.

Mark Twain (1835-1897)

People do not argue with the teachings of George, they simply do not know it. And it is impossible to do otherwise with his teaching, for he who becomes acquainted with it cannot but agree.

Leo Tolstoy (1828-1910)

In allowing one man to own the land on which and from which other men must live, we have made (these) his bondsmen in a degree which increases as material progress goes on. It is this that turns the blessings of material progress into a curse.

Henry George (1839-1897)

Henry George showed us ... the only organic solution of the land problem ...

Frank Lloyd Wright (1869-1959) *The Living City*

Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, ... and fervent love of justice.

Albert Einstein (1879-1955)

Henry George told us this system would work a hundred years ago.

William F. Buckley

Who reads shall find in Henry George's philosophy a rare beauty and power of inspiration, and a splendid faith in the essential nobility of human nature.

Helen Keller (1880-1968)

I believe that Henry George was one of the really great thinkers produced by our country.

Franklin D. Roosevelt (1882-1945)

The teachings of Henry George will be the basis of our program of reform.

Dr. Sun Yat-Sen (1866-1925)

If I were now to rewrite the book (Brave New World), I would offer a third alternative ... the possibility of sanity ... Economics would be decentralist and Henry Georgian.

Aldous Huxley (1894-1963)

(I) would have written it (Ecotopia) with Georgism as the economic system

Ernest Callenbach

I have never seen a convincing refutation of Henry George's proposition ...

Alfred E. Kahn

I have made speeches by the yard on the subject of land-value taxation, and you know what a supporter I am of that policy.

Winston Churchill (1874-1965)

Land should be taxed as much as possible, and improvements as little as possible.

Milton Friedman

Property taxes could profitably be revised to fall more heavily on land, rather than, as at present penalizing property improvements.

Jack Kemp

You can always trust Americans to do the right thing, after they've tried everything else.

Winston Churchill

What man has produced belongs to the individual producer; what God has created belongs equally to all ... therefore abolish all taxation save on the value of land. Henry George 1839-1897

Appendix C: Resources

Banneker Center for Economic Justice, 5465 High Tide Court, Columbia, MD 21044, 410-964-5104 (9:00am-5:00pm est.), www.progress.org/ Website includes a link to the Economic Justice Network, providing resources and services such as: the “Ask Henry” search engine, specializing in economics, politics and reform, the “Progress Report,” for daily news and views, the “Economic Justice Discussion Room” to look at new opinions and try out new ideas, and the “Economic Justice Plaza,” for an assortment of products. For a list of Websites: www.progress.org/geoism.html

Center for Incentive Taxation Ltd., 177 Vanxhall Bridge Road, London SW1V 1EU Tel:071-834-4266

Center for the Study of Economics and Henry George Foundation of America, 8775 Cloudleap Court, Suite 212, Columbia, MD 21045, Phone: 410-740-1177, Fax: 410-740-3279, Email: hgeorge@smart.net. www.smart.net/~hgeorge Resources:

Incentive Taxation, editor: Steven Cord, \$12/yr
Beyond Left and Right

12 Formulas for Implementing a Land Value Tax
14 Ways by Which the Federal Government Can Promote Land Value Taxation, \$4

22 Procedures for Converting ... to a Two-Rate Tax
44 Objections and Responses, \$4

Common Ground-USA, PO Box 57, Evanston, IL 60204 Phone 847-475-0391 Phone/Fax: 608-362-7873. *Groundswell*, \$15 per year. President CG-USA: Nadine Stoner, PO BOX 281, South Beloit, IL 61080 608-362-7873 nadstoner@aol.com swalton@surfbest.net www.progress.org/cg/

Council of Georgist Organizations, International Headquarters, PO Box 57, Evanston, IL 60204, Phone: 847-475-0391 or 888-262-9015 (outside of Illinois), Fax: 209/396-9072, Email: swalton@interaccess.com, URL: www.progress.org/CGO. Holds annual international conferences, summer or early fall, in cities around the world.

Earth Rights Institute, P.O. Box 328, Scotland, PA 17254, USA; Phone: 717-264-5036, 1-888-471-3929. E-mail: earthrts@pa.net, URL: www.earthrights.net Alanna Hartzok, M.A., is the United Nations Non-Governmental Organization Representative for the

International Union for Land Value Taxation, Vice-President of the Council of Georgist Organizations, State Coordinator for the Pennsylvania Fair Tax Coalition, Dir. of Earth Rights Institute. Resources:

Financing Planet Management

Sharing Our Common Heritage

Land for People, Not for Profit

Pennsylvania Farmers and the Split-Rate Tax

Pennsylvania's Success with Local Tax Reform

Geonomy Society, Jeffery J. Smith, President, c/o Matteo Luccio, 5209 SE 28th Ave, Portland, OR 97202, USA 503/235-6679; geonomist@juno.com; www.progress.org/geonomy Resources:

101 Famous Thinkers on Owning Earth,

Where Tax Reform Has Worked:20 Case Summaries

Greens on George: 99 Notable Environmentalists

The Property Tax Shift: Basic Questions Answered

The Henry George Institute, 238 Hadley Mill Road, Brooks, ME 04921. Phone: 212-889-8020 Publishes the international quarterly, *The Georgist Journal*. (ISSN 0887-6290) URL: www.henrygeorge.org/hgi.htm Email: teacher@henrygeorge.org Henry George School of Social Science URL: www.henrygeorgeschool.org. *Henry George News*: Lindy Davies. 10 week courses.

International Union for Land Value Taxation, and the Henry George Foundation of Great Britain, Ltd., both at: Suite 427, The London Fruit & Wool Exchange, Brushfield Street, London E1 6EL, United Kingdom, Phone: 020-7377-8885, Fax: 020-7377-8686, Email: henrygeorge@charity.vfree.com URL: www.HenryGeorgeUK.cjb.net Resources: *Land and Liberty*, quarterly journal

Land Value Taxation Campaign, UK URL: www.landvaluetax.org/

Public Revenue Education Council, 19 Spoede Hills Dr., Saint Louis, MO 63141-7826, 314-432-8809.

Robert Schalkenbach Foundation, 149 Madison Avenue, Suite 601, New York, NY 10016, Phone: 800-269-9555, 212-683-6424, Fax: 212-683-6454, Email: schalkenba@aol.com URL: www.progress.org/books Catalog of resources.

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Fourth World — This term is used:

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- By the United Nations for the least developed countries.
- In Hopi prophecy as our current era of environmental decline.

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