



Earth Day Special

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**BIBLE LESSON OF DR. MASON GAFFNEY
TO THE HOMEBUILDERS CLASS**

63

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EARTH DAY SPECIAL

It's a great honor to speak to the Homebuilders. Building, of course, is the oldest profession. The first builder was God who created heaven and earth from primordial chaos.

The Roman philosopher Cato, of whom I'm a deep student, once remarked that a wise man can learn more by listening to a fool than a fool can learn by listening to a wise man. And I hope that will give you adequate incentive to listen closely to whatever I have to say today.

When I was a kid, one of the popular songs was, "Every Day Is Lady's Day with Me." Remember, Earth is a lady. She is your mother. So I like to remember that every day is Earth Day, not just one day that comes once in twenty years. We used to call it Arbor Day. I think Arbor Day still exists in theory but it passes by without anyone noticing. Now we plant trees on Earth Day.

There was an important message that one of my favorite humorists from twenty years ago, Tom Lehrer, commented on, something called National Brotherhood Week. And one of the verses went something like this: "The poor folks hate the rich folks. The rich folks hate the poor folks. All of my folks hate all of your folks." Why it's as American as applie pie. But in National Brotherhood Week New Yorkers love the Puerto Ricans because it is very chic. It's fun to eulogize the people you despise. So long as you don't let them in your schools."

Well, he went on in that vein. And the general idea was, "Let's not have a token Brotherhood Day or Brotherhood Week and let's not have a token Earth Day." If it's to mean anything everyday must be ladies day. And the lady is Earth.

As an economist who specializes in resources and land, I love Earth Day. Many of my colleagues deny there is such a thing as earth. Land, according to them, is just a form of capital, not significantly different from any other form of capital. The rest of us aren't quite so bad. We recognize that land is different from other forms of capital and the solution is to economize on it. And that's my message in a nutshell.

I once started to write down the differences between land and other forms of capital and ended up with twenty-four. I won't lay them all on you this morning. I'll just mention Number 1 - which is that land is not produced, it was created by some force outside of man. It was not just created, it is maintained every day the sun rises. It also came with a manual of instructions, a covenant. As I struggle through the Old Testament, I must admit that covenant is not 100 percent clear to me. But certain ideas keep repeating. One is, "This land that I am giving you is your promised land which I give you to possess."

The word possess sounds a little bit like a possessory interest as opposed to fee simple title. We don't find fee simple titles in the Bible. We find possessory interests. Nowhere does it say, "I give it to you to own." Possession implies physical presence and participation and an interest that terminates with physical possession and participation.

Reinforcing this we find the statement, "The land shall not be sold forever, for the land is Mine," (this is the Lord speaking) "and you are strangers and sojourners with Me." It is just possessory interest that man has then, a kind of timesharing arrangement, where you pass it on to the next generation.

The third theme that keeps repeating is that you must do justice in the promised land. And justice implies sharing. And reinforcing this we find in Isaiah this admonition: "Woe unto them that join house to house and lay field to field until there be no place that they may be alone in the midst of the earth."

Now, I take the laying field to field a little more seriously than joining house to house. After all, man stores up capital. You can build a house and add to the total stock of wealth. The only way you can lay field to field, however, is to take that land away and keep it away from others. Because there is only a fixed amount.

You can write a song and share it with millions of people and no one's enjoyment of Beethoven or a painting by Michelangelo is any the less because millions of others have shared it and are sharing it. But the only way you can expand your occupancy of the land is to displace others. From this I think it is fair to conclude that God, if we may assume that Isaiah spoke for Him, is not happy with several of Southern California's largest land-owners who appear to have laid field to field while homeless people struggle to survive in cardboard shelters on the streets.

And fifth, we find that if you fail to keep the covenant, you're out. In modern terminology God keeps telling Israel in the Bible, "Don't blow it. Don't think I'm giving you another promised land if you make a mess of this one. Rather, I'm taking it away from you." And off you may go to captivity in Babylon.

Now, everyone gives Earth Day his own twist. And as I read the papers, I see many of the dominant ones that strike me at least as being out of sync with the manual of instructions.

First, there's an anti-population theme. The manual says, "Be fruitful and multiply." I'm not sure how literally we should take that but it doesn't seem to contemplate population control as a major admonition.

The good news here is that the leading anti-populationist of our time and place, Professor Paul Ehrlich is, at the end of his career, coming around to an idea that makes sense to us economists. The idea is, that the problem is not so much too many people, but too many people who consume more than their share of land. I'll return to that theme.

The second theme is anti-immigration. In the interest of time and caution, I will skip over what I was going to say on that subject.

The third theme is anti-demolition, preservationism. There are those who feel that caring for the earth is synonymous with keeping old buildings from being torn down. Now, every once in awhile I find myself on the same side, but in general the exhortation that the land shall not be sold forever seems to imply it shall not stay under the same old building forever even if that building happens to be a popular structure like Pickfair, which happens to be riddled with termites. It's okay to demolish it, to make way for the next generation of uses. Now we might choose a different next generation of use than that which the market has dictated in this particular case. But preservation for its own sake does not seem to be contemplated in the manual of instructions.

Now, another twist is what we might call ecosploitation. We have had sexploitation, blacksploitation, and now we're getting a little ecosploitation. There is a firm in Temecula, in my county, which in honor of Earth Day is offering to sell part of the Santa Rosa Plateau to the County in honor of Earth Day. There's only one little hitch - the asking price is twelve times what the firm paid for it only two years ago. That might be a case of ecosploitation.

So what is the right twist? Well, I suggest the right twist for Earth Day is we should consume less land. Now, what does it mean to consume less land? It means at least three things.

One is to pollute less, obviously. Parenthetically, I notice that the symbolism of not using styrofoam is not being observed on Earth Day. I don't want to make a big thing out of that. It is symbolism. But it serves a useful purpose in raising consciousness, something to think about. But in general, polluting less means what? Not create land - we can't do that - but avoid destroying what's already here, avoid creating chaos; primeval chaos, that's what God saved us from, isn't it, when He created the earth.

A second twist on this is to occupy less land. A simple case of that would be Gaffney's magic formula for turning a small lake into a large lake. I once proposed this at Lake Arrowhead and didn't get very far. But poor Lake Arrowhead is crowded. And the simple formula for turning that small lake into a large lake is to outlaw power motors.

I've often noticed that swimmers are restricted to a tiny portion of most lakes, usually with a little ring around it and a very patronizing life-guard who says, "You must not go beyond the ring. It's for your own good. We wouldn't want you to drown or get in the way of one of those power boats." Many lakes simply are not designed to have a small number of people in very loud and space-consuming vehicles, threatening the lives and limbs of swimmers, taking up so much of the space. So, occupy less space.

Now there's another form of land consumption that most people don't think about in Earth Day connection, and I like to stress, and that is simply to own land. Most land doesn't wear out with use. Most land represents a potentiality to create wealth. And if that potentiality is not used, it's lost forever. It simply flows down the river of time and out the gates and is never seen again. It's pure waste, lost opportunity.

Now, what does it mean to consume something that doesn't wear out? Well, it means to occupy it. But what if you don't occupy it and simply don't use it. There's a good deal of land with that description around. The land that's not being occupied is being consumed just as much as land that is being occupied because basically consumption means keeping other people away. Tenure. Fencing. Policing. Enforcing the exclusion of others. That's what ownership means. That's what use means. You can't really have any other meaning with something that doesn't wear out. Well, here the meaning of the manual of instructions I suggest is compressed in the old folk wisdom: "Take what you need and leave the rest."

Conserving land then is not preserving it, it's not hoarding it. Instead it's just exactly the opposite of what you might think. It's using it intensively and then releasing the rest. An intensive use includes recycling the land; that is, taking land presently under derelict structures, boarded up buildings, and putting it to new use, giving it new life. Infilling - a term that builders are familiar with.

Now, if we use land intensively, what's going to happen to all the wild animals and the song sparrows? Well, using land intensively doesn't imply using the whole earth intensively. There aren't enough people to do that. If you use the good land intensively you release the other land for the things that are now being threatened by the sprawl of mankind. It is amazing what a small piece of land produces when it is used intensively.

A friend of mine who teaches forest economics says he can teach his whole course in five minutes. He says the way to grow timber is to grow it where the land is flat, where it's warm and it's wet, and leave the steep slopes in the Rocky Mountains alone. If you do that there's no need to invade the rain forests and steep slopes which are erosive and which produce downstream problems.

In terms of agriculture, I have a little garden at home which is yielding right now. If you're a gardener, you're familiar with this. The stuff is running out of my ears. When you first plant those little seeds you think, "Gosh, I've got to plant a lot of them so some of them will survive." And then when they do, you invite all your friends and neighbors in to join in the harvest because from a very small piece of land you can produce more food than any family can possibly eat. The problem is not producing food but storing and distributing and preparing and serving it. My wife constantly reminds me when I bring another sack of stuff in from the garden to the kitchen, "That's the easy part. Now do you want to help me with the hard part?"

A good harvest or silo made from steel and produced in the city in a factory is one of the most effective agricultural conservation implements known to man. If you don't put your harvest in a silo you might lose half of it. One of the big problems with Russian agriculture is not that they don't produce food but that they lose more than half of it on the way to the market. These are extremely productive investments in terms of making better use of the earth.

Now this simple formula, economize on the land, solves a lot of the supposedly complex social and economic problems of our time. First of all, it produces goods and services, including shelter for the homeless.

Now this is supply side economics in a meaningful sense. Not the sense that we heard about - well it is the sense that we heard about but it's not actually what happened during the years when supply side economics was the buzz word in Washington. Produce goods and services. Keep prices from rising. Keep the flow of things that people really need coming.

Now, at the same time it creates jobs and incomes to buy those goods and services. Because obviously if you are going to use the land more intensively you employ more people. And if you recycle that land more often, you employ people more often on the same land. That's demand side economics.

So now we've solved supply side economics and demand side economics all in one stroke. And there's only one little problem that we haven't talked about. That's paying off the National debt. But if you use the land more intensively it can pay more taxes to pay for the infrastructure which California now needs more of obviously and pay off debts. Paying off debts is a wonderful way to create domestic capital, which is a related problem.

We used to think it would be a terrible thing to have the government collect taxes in order to create capital. That's private business, not public business. But now that we have this staggering national debt, the easiest thing in the world to create capital domestically is simply by having the government pay off the debt. And what are the people who receive that money going to do with it? They're going to invest it in private economy and create real capital in the private sector. So here we've got most of the major problems of our time harmoniously solved by an earth first conservation concept, which is simply using land more intensively.

Now, there is one little problem here. I spoke about getting more taxes. And if you get more taxes from the more intensive use of land that in itself might abort the desired result because nobody likes to pay taxes. So in order to avoid paying taxes you may avoid using land intensively. Now this depends a lot on how the tax is imposed. And here I must admit the economics profession has a good deal to learn from one of your fellow members of the congregation, Dr. Margil Wadley, who has pointed out to me that it all depends on how the tax is defined. I think it was Margil Wadley who played a leading role in organizing this Earth Day observance.

At any rate, what he says is you should tax the consumption of land in the way that I have defined it rather than the use of land. Remember, the consumption of land means keeping other people away from it or in a short word, owning it. Now this is not the time to get into all the details of that. Margil Wadley will be here for many years to come. I suggest you get him to talk more about that. I think he has a good idea. It certainly is consistent with all the principals of economics that I'm familiar with and well worth looking at.

Now, how about the crisis in shelter. I hope I don't make you all hate me by mentioning this. But from the viewpoint of an economist the crisis in shelter is not caused by overtaxation. We all think we're overtaxed. And I'm sure we're all right in the sense that the government wastes a lot of money. No one would dispute that for a moment. But among activities

and forms of capital that pay taxes the owner-occupied residences really get off pretty lightly. As far as the income tax is concerned, your home is your best tax shelter. That's because the enjoyment of occupancy which is really a form of income is not taxed as taxable income. So you get a flow of benefits from your home that are not taxed. That makes a great investment. You borrow money to buy it-and you can deduct the interest, which is the cost of ownership. So you get the benefit of ownership and you get to deduct the cost of ownership without paying taxes on the benefits. That's a nice deal.

As far as the property tax is concerned, after Proposition 13 was passed the property taxes - again you may scream when I say this - but the property tax in California has become virtually negligible as a disincentive to home ownership. In my own case, I pay more insurance on my house than I pay property taxes. And there are a lot of other folks in the same position because we bought in on the ground floor. Now our homes are worth half a million dollars and our property taxes are \$1500 a year.

But what's the result of this favorable tax treatment? Has it solved the housing crisis? Well, instead we have high land prices which are a kind of private tax levied on new buyers. And as a result of this are the anti-growth movements. Those who paid for the existing infrastructure when tax rates are high resist sharing it with newcomers who will get in paying taxes at a lower rate than they paid. So the conclusion I would say is that the preferential low taxation of housing has not solved and will not solve the housing problem. What is called for is better sharing of the earth.

In the interest of time I won't tell you the good news, which is that builders are innocent of most of the crime for which they are charged. But you already know that so there's no need for me to belabor the point.

For Earth Day, let's just slip into a problem-solving mode and stay there. Let's keep uppermost in our minds the manual of instructions which we can find by studying the Old Testament which says, "Possess the land. Take what you need and leave the rest. Let it go for the next generation. Recycle it. Render justice." And then in the New Testament we're reminded, "Pay your taxes."