Geofiscalism vs. Futility
By Dr. Mason Gaffney

This article was first published in GroundSwell, a publication from Common Ground, USA. The Robert Schalkenbach Foundation has received approval from Common Ground, USA to republish this article at no cost for educational purposes.

Article citation:
Gaffney, Mason. “Geofiscalism vs. Futility.” *GroundSwell*, Sept. 1998, pp. 10–11.

The Robert Schalkenbach Foundation’s Digital Collections and Archives is an extension of the Robert Schalkenbach Foundation’s Engel Georgist Library. It collects, organizes, preserves, and provides free online access to researchers and the general public of Georgist literature including books, newspapers, pamphlets, scholarly articles and archival materials.

RSF is particularly proud to offer free online access to the works of the late Georgist scholar Mason Gaffney, made possible through the generosity of the Danica Foundation.

Robert Schalkenbach Foundation: https://schalkenbach.org/
Engel Georgist Library: https://www.librarycat.org/lib/EngelGeorgistLibrary
RSF Digital Collections and Archives: https://schalkenbach.starter1ua.preservica.com/

Geofiscalism vs. Futility

by Mason Gaffney, Riverside, CA

An outline follows of an address delivered by Mason Gaffney at a meeting hosted by the Centre for Incentive Taxation May 17, 1998 at the Grosvenor Hotel, London.

Constructive problem-solving is when one takes problems and dilemmas and composes them into solutions. A simple example is when two lonely, longing people meet and marry. Another, more prosaic, is when a producer converts wastes into useful by-products. A third is when some unsuccessful soloists team up and become a popular band.

The genius of Henry George was to confront dismal dilemmas, futile standoffs and harsh trade-offs posed by what we may call "futilitarians," and compose or reconcile them into solutions. The most obvious such desperate trade-off he solved was that posed by Malthus, who told the working classes they must choose between food or sex.

Today, futilitarian Neo-classical economists have an array of dismal choices for us: equity vs. efficiency; attracting business vs. supporting public services; inflation vs. unemployment; pollution vs. unemployment; equality vs. incentives; productivity vs. full employment; equality vs. saving and capital formation; free choice vs. urban sprawl; etc.

Understanding George's program, one can see that those allegedly hard choices are false, calculated to unman us and make resolute action seem futile. Herewith is a list of reconciliations that are inherent in George's philosophy. The first nine of these are recapped, but freshly phrased, from "The Corruption of Economics" book, pp.40-44; then I add ten more, which you will now hear for the first time, although you will already have thought of some of them.

George's ideas are more than a philosophy, they are a prescription for action. For short, I shall describe his public policy program as "Geofiscalism." For George, a philosophy was designed to accompany a program of action: theory and practice were also composed and reconciled. He saw theory and practice (or thought and action) as complements, not substitutes. So should we.

A. Points Made in "The Corruption of Economics"

1. Geofiscalism composes common rights in land with private tenure of land, and free markets. It tends, on balance, to foster subdivision of land. Those still excluded from tenure are compensated in three ways: landowners support government; they must hire workers and invest in new capital to generate income from their lands; and they must supply goods and services from the land. The last two combine the stimuli of supply-side and demand-side economics, levelling them upwards. The Keynesian spectre of oversaving is dispelled by untaxing capital, stimulating new investments.

2. Geofiscalism untaxes labor without raising taxes on capital, or capital formation. It is even possible to untax both labor and capital, while still supporting government at high levels, or distributing the surplus as a social dividend.

3. Geofiscalism composes equity with efficiency. It is pro-incentive, for reasons well known. At the same time the tax base, land, is highly concentrated among the wealthiest people, including alien owners and nimble international tax-dodgers. Thus it combines the pro-incentive effects of a poll tax with the equalizing effects of a progressive wealth tax.

4. Local and regional (state, provincial) governments can pay for public services as generously as they please while simultaneously attracting industry, capital and population by untaxing them.

5. Geofiscalism contains urban sprawl without denying consumers free choice of location. It lets settlement be contained within growth boundaries, if desired, without inequity, by making the favored landowners pay most of the taxes; it lets settlers choose outlying locations, if they wish, by making them pay the incremental social costs they impose on the whole.

6. Geofiscalism creates jobs without use of inflationary demand stimulus. It stimulates both supply and demand jointly, leveling them upwards. It proffers us "True Fiscal Stimulus," in contrast to the current shallow usage of "fiscal stimulus" to mean deficit finance and bank expansion.

7. Geofiscalism lets a polity attract people without diluting its resource base. We may label this the "Hong Kong Effect," although it is observable in most thriving cities. It results from the power of economic synergy in free markets to generate large economic surpluses, surpluses that lodge in the rent and value of local land, such that large, densely settled cities generally have more land value per capita than smaller cities and farm regions. George summarized this force as resulting from "Association in Equality"; and he clearly meant free association, free of taxes on exchange, and with equal rights to land. A modern planner would want to elaborate on the efficient circulation systems and layouts to facilitate such association, and George would surely agree; but he would remind the modern planner, as he reminded his contemporary civil engineers, that taxes on exchange offset and penalize the very linkages that good planning and public works strive to achieve.

8. Geofiscalism makes jobs while abating demands on nature and the environment. This is a byproduct of containing urban sprawl, and the Hong Kong Effect. The synergistic city is resource-sparing.

More generally, Geofiscalism puts a new focus on raising the productivity of land and natural resources, in contrast with the current unbalanced, exclusive focus on maximizing labor productivity, even at the unspoken cost of wasting land.

Geofiscalism is also philosophically compatible with "green taxes," which are based on a philosophy that nature belongs to all in common, and those who poach on it and defile it should pay society for what they take, and the damage they do. George himself did not develop this theme, but latter-day

continued on page 11

Geofiscalism vs. Futility

continued from page 10

Geofiscalists have done so, using the economists' tool of "marginal cost pricing," which shows the efficiency both of land-value taxes and of green taxes.

9. Geofiscalism promotes economy in government. By making jobs, it automatically lowers welfare costs, both directly by taking people off the dole, and indirectly by weakening the rationale for most doles in the first place. Making jobs of course lowers crime, with all its direct and indirect costs. It lowers social unrest, with threats of riots and arson.

It also abates the high costs, both civil and military, of territorial expansion. Now, such expansion results from three forces combined: people seeking jobs and lands; investors seeking outlets; and land speculators seeking unearned increments. Geofiscalism abates all three forces by directing human settlement and activity to a smaller area of better lands.

As a happy byproduct, this also abates demands on nature and the environment.

The 9 points above are also treated in "The Corruption of Economics," pp.40-44. The points below are new.

B. New Points

10. Geofiscalism lets us raise tax rates without impairing the tax base: there is no "Laffer-curve Effect." That is, higher tax rates must always yield higher tax levies. (There is a "tax capitalization effect" such that a rise in the tax rate may yield a less than proportionate rise in the tax levy; but that should not be confused with a Laffer-curve Effect.)

11. Geofiscalism effects a radical social and economic reform in a completely non-catastrophic way, working silently through existing institutions and the free market. It can be and has been adopted (in part) both by democratic governments, by authoritarian ones (Meiji Japan), and by foreign occupying forces (MacArthur Japan, Kuomintang Taiwan, Hong Kong, Kiauchow).

12. Geofiscalism may be and has been applied by local, central, and intermediate levels of government.

13. Geofiscalism may be and has been applied in whole or in part. It is compatible with a mixed economy. It may be applied immediately, or phased in slowly, as preferred.

14. Geofiscalism is impervious to tax-avoidance and evasion schemes: foreign tax havens, tax shelters, profit shifting, concealment, electronic transfers, smuggling, creative accounting, etc. Every parcel of land is open for inspection. It lies unambiguously within one taxing jurisdiction. It cannot be moved or hidden. The owners must identify themselves, pay up, or lose their land. Foreign residents and foreign owners have no advantage over resident citizens.

15. Geofiscal levies are enforceable without tracing persons, and without threatening them with jail or other personal penalties. The land is the hostage.

16. Geofiscalism democratizes access to land, in the manner of open access to a commons, yet without relaxing the constraint on economic use. It democratizes and opens up access by lowering the purchase price; it puts a constraint on wasteful holdings by imposing an annual charge or tax on holding land. The net effect is the same as making credit available to all potential buyers on exactly the same terms: same rate of interest for all, and perpetual credit for all.

It also puts future buyers on the same footing as the present owners, thus removing the differential advantage of inherited entitlements. This last point does not, of course, commend itself to most of those with inherited entitlements, yet in many circumstances even they will experience gains: if the advantage of lowering other taxes exceeds the rise in the land tax.

17. Continuing the logic of #16, Geofiscalism has the effect of extending land credit to the poor, and everyone, with no risk of non-repayment.

18. Geofiscalism speeds the renewal of sites now occupied or covered by decayed and/or obsolete machinery, equipment and buildings. It does so without subsidies, either direct ones to new equipment or indirect ones like sacrificing tax revenues. Thus it keeps a nation's physical plant modern and competitive, hastening the embodiment of new technology into working material forms. It increases investment opportunities at home, providing outlets and stores of value for savings.

19. Geofiscalism raises revenue without any complex machinery and paperwork such as bedevil the income taxes (corporate and personal), and without any confidentiality of tax data from the press and the public. No one but the tax man knows what special income tax deals are enjoyed by anyone else, it's all personal and confidential, and wide open to corruption. Land, on the other hand, is public business.

George, considering such reconciliations, wrote in wonder that "The laws of the universe are harmonious." Modern philosophers may cavil at his mode of expression, but that need not disturb or untrack us. Perhaps the harmony came from his attitude toward the universe, his problem-solving orientation, but in either case is real enough, and wonderful to realize. Let us adopt the same attitude, and watch our intractable problems fall away.

Some captious critics, viewing just a few of such claims of harmony, damn Geofiscalism as a "panacea." The word betrays a curiously warped mindset: who would damn a solution for the very reason that it is a solution? The word is theirs, though, and what they evidently mean is only implied: strong claims must be false, by assumption, so the critics are spared from proving them false in any particular way. That is counterfeit wisdom, indeed, and a cop-out. It is our privilege as Geofiscalists to set forth the claims, and challenge critics to refute them if they can, or to hold their peace.

Editor's Note: Mason Gaffney, PhD, is Professor of Economics at the University of California-Riverside. He is one of the founders of the Committee on Taxation, Resources and Economic Development, and is a noted author. ("The Corruption of Economics" is available from Schalkenbach.)