

## INTERVIEW (from page 13)

in the GPO/GPC. I became a Green in 1997 and the leader, Frank de Jong, began to promote it. This party is absorbing Georgist economics (why do some individuals and not others absorb Georgist economics?), partly due to a prior identification with the environment. It was a matter of aligning Green/Georgist terminology and enforcing the connection between achieving Green objectives and using Georgist economics as the tool.

Economic Rent (see David Ricardo's Law of Rent) is not earned by the individual (only as part of the community) but is created by the presence and activity of the community as a whole (roads, business, demands for unique locations). The latter is earned by the community (tax jurisdiction) that created it! Resource fees should approximate economic rent!

After 'resource fees/economic rent' is captured by the community the former speculative income from owning land would be significantly reduced. Total speculative advantages will never be eliminated and there might be some managing/accounting/philosophical advantages.

Those farmers who keep wetlands, hedgerows etc. that benefit all would be compensated for their community contribution. The amount (to me) would be determined by subtracting the privately created value (livestock, some trees, any use) and the publicly created value (air, open space, some trees etc.) from the total to get the difference. The input should include all possible factors! Please refer to a copy of the Alternative Land Use Services Brochure (Norfolk County, Ontario).

The above (any Georgist rent capture) should not depress production because it is not a tax on production (labor and capital). Compensation revenue would come from economic rent captured! The determination is by a free market, which is not the case now!

**SB:** Could you explain the difference between earned and unearned income with respect to your proposed tax shifting resolution? Can you explain how the land-owning minority benefits from improvements in a way that the non-land-owning majority does not?

**EJH:** Earned income reflects the product of a person's efforts. Wages, salary, and commissions and bonuses would be standard forms of earned income. Unearned income represents the product of holding some kind of monopoly, money gained through economic rent. Capital gains (beyond inflation), land rent, and any price increase due to economic rent would be unearned income. Interest income could fall into either (or both) category, depending on what kind of investment or lending was involved. Investment in a venture would return earned income, while returns from land holdings or speculation would be unearned. Rental of man-made property (buildings, equipment) would be earned income. Interest that banks gain by lending bank-created money is unearned income.

If you own land, you benefit from the increase in value of that land over time, which essentially arises from publicly-funded improvements or societal growth. If you rent land, not only do you not benefit at all from that value in-

crease, you end up having to pay higher rent as land values rise. This is a main driver behind the growing wealth gap.

**SB:** How would the amount of these resource fees be determined? What is meant by the term "economic rent"?

**EJH:** Resource fees could be set through a cap/trade process, which sets the total amount that can be extracted, letting the market then set the price, or could be pegged directly to the unimproved value of the raw resource. [classic definition of economic rent]

**SB:** Your resolution "proposes that those who contribute back to the commons could be financially compensated by government. Companies and individuals who forgo income to conserve, protect or restore ecosystems could be partially reimbursed for expenses." Could you describe who would determine if companies or individuals "contribute(d) back to the commons" and how that would be done? How would you prevent these entities from gaming the system by, say, claiming that they didn't do something that would have harmed the environment that they really had no intention of doing anyway, and therefore claiming compensation?

**EJH:** This is something you'd have to ask Frank de Jong about.

**SB:** Why would this not depress productivity, or is that what you actually intend the measure to do, or to do at least in some aspects?

**EJH:** Raising the royalty (fee) on resources and pollution while lowering the taxes (to zero) on labor and value-added would increase material productivity, but perhaps reduce labor productivity. Right now productivity usually refers to labor productivity because labor is a significant cost while materials are relatively cheap. If that situation were reversed, then the more important productivity factor would be material productivity. In an economy with chronic unemployment and downward pressure on wages, switching from labor to material productivity through a tax shift would mean an increase in jobs and real (take-home) wages alongside a decrease in resource consumption and pollution.

**SB:** Where would this compensation revenue be obtained from?

**EJH:** The concept of a tax shift is that revenue remains the same. Some sectors of the economy would shrink but others would grow and the overall effect should be to reduce many draws upon the public purse, known collectively as the "cost of poverty".

**SB:** Most of the resolution concerns environmental or economic issues, but there is also a call to "shorten the work-week." Could you explain the implications of this and how it would affect the unemployment picture in Canada, currently at 7.9%? How would it affect income? What role do you believe government has in (continued on page 15 )