

# Jeff Smith spoke at Amsterdam Conference

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Amsterdam was the site of the 1998 conference of the Basic Income European Network (BIEN) September 10-12. From all over the world, academics and activists, government officials and business people met to advance the cause of an equitable distribution of income for all. This conference was hosted by the University of Amsterdam and co-sponsored by eleven governmental bodies, including the European Commission and the Dutch Ministry of Economics.

Most in attendance assumed an income tax is needed to transfer income from haves to have-nots. A minority (about one third of the 37 presentations) -- not an opposed minority but just a new wrinkle in the BIEN movement -- noted the advantages of either making polluters pay, and/or tapping the publicly-generated values that usually attach to land and resources, while also, perhaps, untaxing earned income.

Some of the more prominent rent-collection advocates presenting in Amsterdam were Dr. Robert R. Schutz, author of The \$30,000 Solution; Dr. Paul Metz, a lobbyist for big business who cites Henry George, the 19th century American most responsible for popularizing the rent-share idea; and Dr. Murat Borovali of the University of Manchester who cited Dr. James Robertson, a former economist for the British cabinet who focuses squarely on a Citizens Dividend from various rents.

Ironically, when Michael Howard (a philosophy prof. at the University of Maine), representing the US, gave his report on the state of the movement in America, he cited the Greens and the Citizens Dividend; in the audience was the Green who coined the term and pushed the idea -- that's me, Jeff Smith.

An outline of Jeff Smith's presentation follows:

## AN EXTRA INCOME FROM EARTH'S WORTH

In Olde English, the words "own" and "owe" were one. As in most earlier times and places, owners owed rent to their community or an imposed authority. Were a variant of this aboriginal custom -- sharing nature's bounty with neighbors -- resurrected, it's conceivable that many socio-economic goals could be met.

After the rent of sites and resources is collected (via a tax, user fee, lease, liturgy, or some combination of the foregoing), the public treasury could pay citizens/ residents an extra income apart from their labor or capital. Were people to receive such a share of natural rent:

- (a) they could work less at no loss in standard of living. As people with jobs work less,
- (b) people out of work could find jobs,
- (c) avoiding the cost of subsidized (and superfluous) employment.

Indeed, in full employment, labor would be at its maximal value. Higher wages, coupled with "rent shares" (or

"Earth shares", "land dividends", "green dividends", or "citizens dividend"), may make it possible

(d) to safely forego minimum wage laws and other charities.

In such prosperity, citizens may exert fewer demands upon government. Governmental services, expenditures, and taxes could all be reduced. This is the policy of "Geonomics": Replace taxes with fees, predominantly a land use fee, and substitute a citizens dividend (the most generic term with the most assonance to American ears) for subsidized social services not needed to defend rights. That is, a geonomic state would preclude corporate welfare and use collected rent to fund legislatures, courts, police, and militia before dividing surplus rent among the citizenry, obviating charitable welfare.

Is there enough rent to make sharing it so significant? Note that rent is determined by land value which rises with productivity in particular and with social progress in general. As automation and globalization raise productivity, they lower prices, inviting more exchange. Where economic activity is greater, land values are higher. Hence, by translating rent into CiDis (Citizens Dividends), a society can capture and share its gains in productivity (rather than suffer unemployment and other ravages of a modern, globalized economy).

Were productivity gains shared, the workweek could be shrunk. Here are four ways to measure by how much.

First, Bucky Fuller's calculation. He took the amount of necessities Americans consume (food, shelter, clothing, medicine, transportation), added up the man-hours needed to produce it, and divided by the adult workforce. Truly useful work comes to two hours per week per person. It just shows you how many lawyers, accountants, insurance salesman, etc there are out there (detailed more fully in J.S. Smith's "The World's Wasted Wealth").

Second, Juliet Schor in "The Overworked American" pointed out that in the lifetime of the average Baby Boomer (1950 to 1990, roughly) productivity doubled, widening the income gap instead of halving the workweek. Were productivity gains to continue as before yet be translated into time off, thanks to geometric progression, in ten years, it could be down to 6.5 hrs.

Third, colleague Mike O'Mara demonstrated a workweek of 16 hours (i.e., a two day work week), for the same standard of living (i.e., similar products and services):

1) Land rent is at least 25% the size of GNP. Suppose land rent reform would lower the average person's cost of renting land by as much as 50%, bringing the change to the equivalent of about 13% the size of GNP (25% x .5).

2) Taxes are about 40% of GNP. Suppose libertarian reforms would lower the cost of public services by more than half, due to greater efficiency, plus eliminate corporate welfare. That would be the equivalent of cutting taxes by say, up to 65%. That would be 26% of GNP (40% x .65).

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3) Also, suppose the harmful side effects of licensing, red tape, etc. amount to as much as another 20% of GNP.

All together, those reforms might cut costs by up to 59% (13 + 26 + 20). So, instead of a 40 hour week, it would be about a 16 hour work week (40 x .41) - ie a 2 day work week, rather than a five day work week.

Fourth, my contribution, is a similar way to calculate the geonomic-generated gains in income and thus time off:

(a) replace taxes (about 40% of the average workers income) with fees, equivalent to giving the Average Worker a 40% raise,

(b) thereby abolishing the collateral damage of taxes (some put it at 65% of the tax take, others put it at 100%), so add from 28% to another 40% to A.W. income,

(c) rebate rent (at least 25% = of the A.W.'s income; some note that part of so-called mortgage interest could be counted as rent and boost this expenditure to at least 33%), boosting A.W. income by another 25% to 33%,

(d) end involuntary unemployment (free land and/or rent does this), boosting A.W. income about another 10% (one can only guess), upping A.W. income another 10%, and

(e) reverse inflation (only about 2.5% but this is not a one-time gain; it's each year), thanks to ending speculation and excessive indebted spending. After we deduct the cost of minimal government (the budget of law enforcement; we'd pay for teachers and doctors directly ourselves, not as subsidized services), these five changes in the flow of revenue would cut any workweek down to somewhere in the 2 hour, 6.5 hour, 16 hour range - and rather quickly.

Both collecting and disbursing rent improve how we treat Earth. Collection motivates greater efficiency by resource consumers. Disbursement lets people engage in less work, an activity that is resource-intensive. Less consumption of sites and resources spins off fewer by-products, e.g. pollution. And as revenue from a tax on pollution

would fall, revenue from a fee pegged to land value would rise.

Land value is a near perfect metric of the health of a society. As conditions improve, more people are drawn in, pushing up site values. Were conditions to deteriorate (due to environmental degradation and/or political turmoil), people would tend to emigrate (presuming open borders elsewhere), lowering land values. There being fewer residents to share rent lets the CiDi hover around a comfortable level.

Based on the principle of intimacy, each "breadth" ("level") of government could collect and disburse the rent of a particular type of site. The local city, the most intimate government, could handle the rent of residential sites. The local county or shire could do agricultural. The state/province could do pastures and forests. The nation could do subsurface resources and supra-surface ones (broadcast and cablecast channels). And finally the globe, the least intimate breadth of government, could handle rent from oceans and geosynchronous orbits.

Sharing rent would dry up this source of gratis profit to corporations and of the banking establishment. Debt to mortgage-holders may be the biggest -- and most subtle -- money maker employed by the elite. Yet sharing rent converts land from an object of speculation to an ongoing financial obligation, unattractive to mere profit-seeking in-

vestors. Without income from Earth, corporations would lack the wherewithal for controlling the political processes of most nations. Less influenced by corporate contributions, governments could busy themselves with their legitimate functions of defending rights.

While such a "geotopia" may seem futuristic, it is possible now, both politically and economically. Politically, more people are turning to the collection mechanism, i.e. the green tax shift (here in Oregon, lobbying the legislature is getting underway by a coalition forged by my organization). Also, some now turn to the disbursement mechanism, the dividend. Alaska already uses such shares for its oil royalty. Sharing natural rent is not redistribution but predistribution - disbursed before elites or states have a chance to misspend it. And economically, natural rent is an immense flow, as shown above.

The North's call to spare Earth is merging with the South's call to share Earth. By sharing Earth's worth -- via a CiDi -- we not only align people with planet, but also policy with morality. Sharing natural rent lets modern, civilized humanity finally evolve beyond this current politico-economy. In abundant leisure, people could develop fully, artistically and spiritually. Residents would have the needed time to explore their ties to self, family, friends, community, and nature.