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The Mechanics of Anarcho-Georgism

Kevin Carson

April 2, 2006

Fred Foldvary has several interesting articles on Georgist theory at Free Liberal. In one, he points to Henry George's distinction between taxes in form vs. taxes in substance.

The American 19-century economist Henry George distinguished between taxes in form and taxes in substance. In substance, a tax is a forced payment to government, or a cost imposed by government, which is not related to any benefit or to any harmful act done by the taxpayer. In contrast, a payment to government which is a payment for causing damage, or is offset by a benefit, appears like a tax in form, but is not a tax in substance.

One of my biggest objections to Georgism (at least as a long-term system, rather than a transitional one), is that it's a poor way of financing excludable services. There are precious few, if any, genuine public goods. A great deal of the economic rent accruing

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Retrieved on 4th September 2021 from mutualist.blogspot.com

usa.anarchistlibraries.net

to landowners comes from externalities of subsidized transportation infrastructure, utilities, etc. Internalizing these externalities by financing the services with user-fees would greatly reduce the site rent. And eliminating subsidies to sprawl, by encouraging decentralized, mixed-use development, would greatly reduce the premium on favorably sited land.

Of course, so long as some government services, like schools, are subsidized from general revenue, a land value tax is the least harmful and unjust way of doing it. But as government support of special privileges is withdrawn, and the market redistributes income downward, the schools should be shifted to a system of user-fee financing.

One obvious objection to George's distinction is that payment for private services on the market is voluntary—unlike a land value tax. Foldvary has at least a partial answer to this. In another piece, he speculates on how rent collection would be enforced under anarcho-Georgism. Besides the standard means of putting a lien on property for non-payment of the land value tax, he suggests a community might instead

declare the delinquent title holder to be outside the law, not subject to the protection of the governing agency, nor entitle[d] to any of the agency's services. The governing agency would not respond in the case of theft, trespass, fire, or assault. His outlaw status would be known to the public, and he would be prohibited from using civic services such as libraries, streets, schools, parks, and governmental public transit.

With a properly implemented system of rent-based public revenue, it should not be a crime to refuse to pay the community rent. Nobody would go to prison for not paying taxes.

internalization of the costs of public services, as an aggregate, and then treats land rent as a proxy for all the assorted externalities and subsidies created by the community. This leaves a very weak connection between the amount one pays in taxes, and the value of any particular service (undermining, in other words, George's own distinction between a tax in form and a tax in substance), and thus weakens any incentives to economize on the consumption of particular services in light of the cost of providing them.

In a morally proper legal system, the only crime should be coercive harm to others. The refusal to do something should not be a crime. Only those who actively commit harm to others would be treated as criminals who harm society in general as well as specific victims.

And such communities, he writes in still another article, might be contractual:

Another variant is geonarchism, in which people would live in contractual communities whose public goods are financed from land rent. These would include land trusts, condominiums, residential associations, proprietary communities (such as shopping centers and hotels), and apartment buildings. Membership in a community would be voluntary. These communities would associate together in networks and leagues. The members would share the belief that the land rent should be collected and distributed to all members equally or else used for public goods.

Under "geo-archy," communities would create higher-level associations to provide public goods with a wide scope such as defense. Most communities would be members of the greater association, which would provide for a uniform rule of law at the highest level of association. Individuals and communities who are members would receive a package of goods, including security and access to public works, which makes membership advantageous. Members could secede, but would lose the package, so secession would be limited. Folks would therefore have the advantages of a state, but without the tyranny.

The greater association could include "anarcho-capitalist" communities that do not use land rent for

their public finance. Economic theory indicates that the geoanarchist communities would have greater prosperity, since communities that do not use land rent for public goods would find that their public works get capitalized into higher rents, making the residents pay double for public goods, once as fees and then again as higher rent. Most folks would rather pay once than twice, so they would move out of anarcho-capitalism into geoanarchism.

P.M. Lawrence, whose astute comments frequently appear on this blog, had this to say (posted by Norman Singleton at the Lew Rockwell blog):

One problem area, the biggest, is the idea that people could effectively secede as individuals if they didn't like what was on offer in a geoanarchist community. This wouldn't be true if — like landlords — all communities were pretty much the same and had taken up all resources. It would be a hollow mockery like pointing unhappy bank customers to the availability of other banks; in a country like Australia they are all much of a muchness. The problem of states would re-emerge in a different form, with the communities working like ground cover plants to make a network externality preventing any shift in the system of uniform geoanarchist communities. The only way there could be true choice is if there were other communities around that were anarchist without the “geo-”.

In my view, Foldvary's voluntary Georgism is more likely to fail in the *opposite* direction. It would amount, in practice, to voluntary Georgism among those who are either breaking even under the present system, or are net rent-payers—while the net rent recipients self-select out of the system. If his system of contractual

rent-paying communities coexists in the same geographical space as those with other arrangements, and his communities allow the contracting of services by other means, the biggest recipients of rent under the present system will have the biggest incentive to secede. For anyone who is a net rent-receiver, the rational choice will be to secede, to hire private police and other services on a fee-for-service basis, and to pocket the rest of the rent. The threat of outlawry and denial of services by the community will be akin to a threat to throw Brer Rabbit in the briar patch.

Georgism, like any other set of land tenure rules, can survive as a system only where there is a consensus on a single set of rules for a given geographical area. There must be a single body of libertarian property law in each area, backed by majority consensus, whether Lockean, Georgist or the Ingalls-Tucker of ownership based on occupancy and use.

P.M. Lawrence also expresses a view on the general Georgist approach that I have a lot of sympathy with:

Geoanarchism, or even anything with that much of a Georgist base, presumes an enduring problem with landlordism and gives up on it, preferring palliative care.

That's why I prefer occupancy-and-use tenure, in most cases. Absentee landlord rent, and public service externalities that can be internalized by user fees, are far bigger sources of total rent than the residual site rent that would remain after these problems are fixed.

I think the same can be said for Georgism's treatment of externalities. It treats externalities as a given, locks them into place, and then attempts to ameliorate them at the macro level through the land value tax. Land value tax is a big hammer for dealing with externalities, which can be better handled on the micro scale by user fees. It treats all the forms of rent, which are created by poor