

CENTER FOR THE STUDY OF ECONOMICS

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Occupy the Commons: A Proposal for Regional Action A Blueprint for Larger Action

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Much of the discussion this weekend and in this panel will concentrate on analysis of huge forces that play out internationally in seemingly beyond the control of marginalized people and groups. National borders are of little comfort as poverty and hopelessness exist within a few minutes travel from the shining columns of condominiums in Manhattan or San Francisco and gated communities in exclusive suburbs that have effectively shut out the full spectrum of human existence and economics.

The role that CSE plays is similar to dozens of grassroots foundations and NGOs who attempt to gauge and test the disconnect between people and communities, and tried to implement solutions at a local or regional level and thereby convince or compel at ever larger levels of government and economics.

This is a declaration that radical and permanent change for a better world starts simultaneously at the **international** level and the **neighborhood** level. We concentrate here on the micro level; in concert with the idea from the representatives of Cuba that organization of a better life needs local input and control of that essential ingredient to more prosperity for all: the land. We finish with a doable **regional** proposal

Land Value Taxation

The Center comes to you today as an organization that works with postindustrial, poor or declining urban areas. We've worked actively to leverage the idea of Commonwealth to practical public policy.

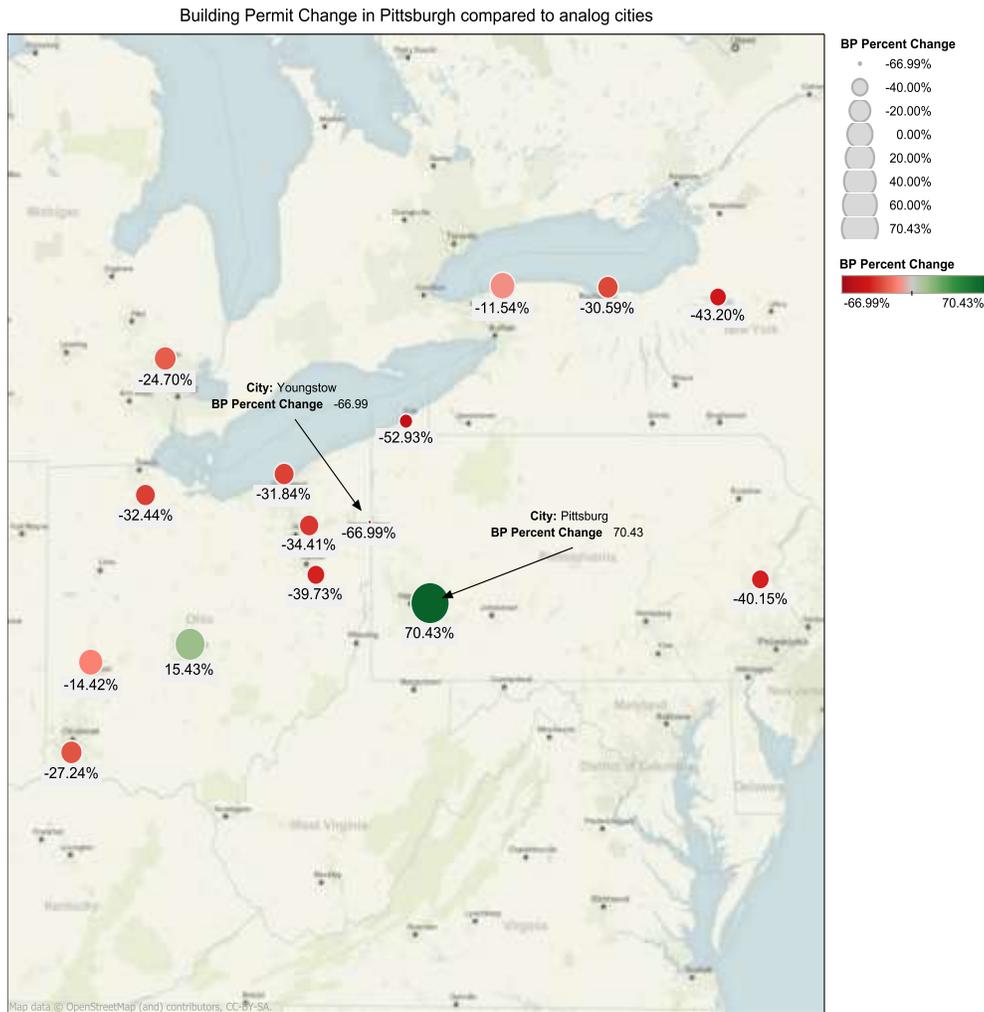
We transform tax structures that inordinately take from paycheck wages, small business and small stakeholders in the economy to those that have been able to grab and hold publicly created wealth in its various forms, either from monopoly privilege, or the land in the earth that we all need to exist.

The center has been able to work with communities to transform their tax system into one that does not depend upon those with little political and economic power, but relies on those holders of misappropriated community created value. What are some examples?

The city of Pittsburgh Pennsylvania used land value taxation from 1910 to 2001. In that time which saw the collapse the steel industry, white flight and sprawl to the suburbs, Pittsburgh nearly alone among Rust Belt cities managed to hold its own, survive and now it thrives.

Nearly all city leaders and most economists that if studied the city credit the land value tax with being the one tool that helps protect all neighborhoods and all income levels from the wounds of policy and economic mistakes of the past.

This is the classic study of land value tax performed by University of Maryland professors Oates and Schwab using building permit data and statistical regression analysis to determine that alone of Rust Belt cities from the mid-1970s to the late 1980s, Pittsburgh saw an increase in taxable building permits, at a time of national recession and regional collapse.

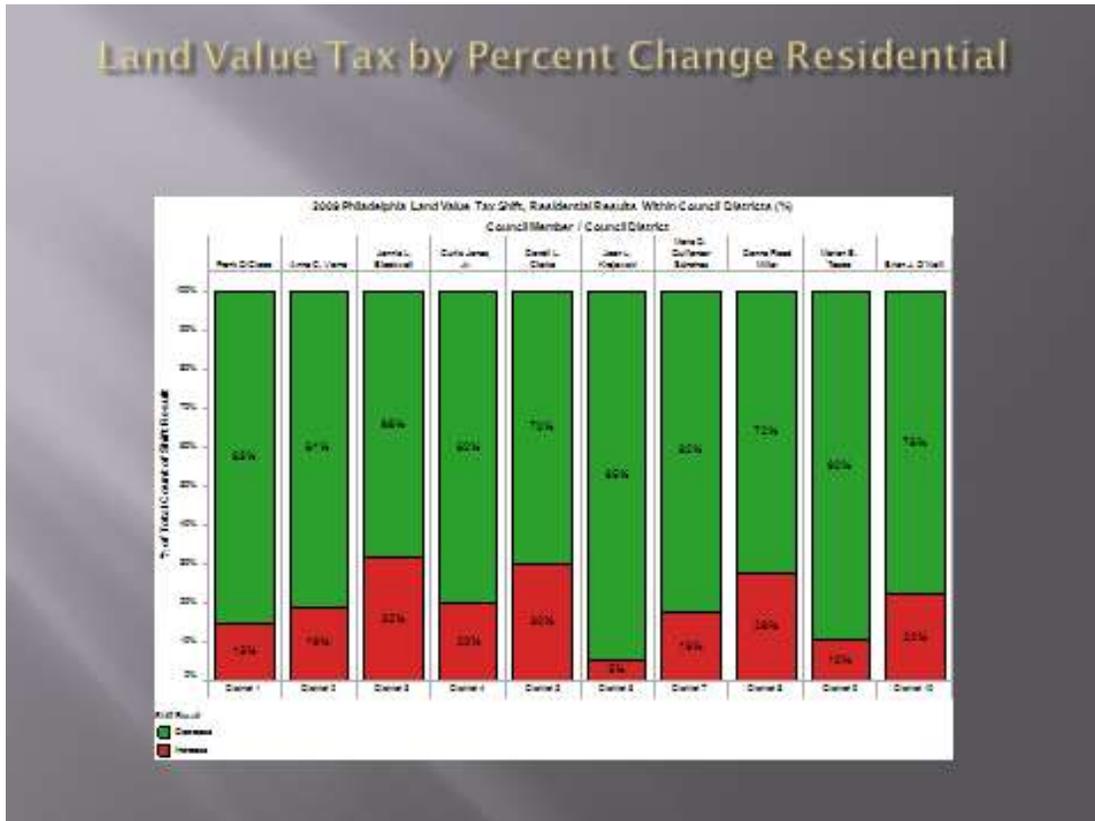


Color shows sum of Building Permit Percent Change From 1960-1979, and then 1980-1989
Size shows Percent Change . Details are shown for City and State.

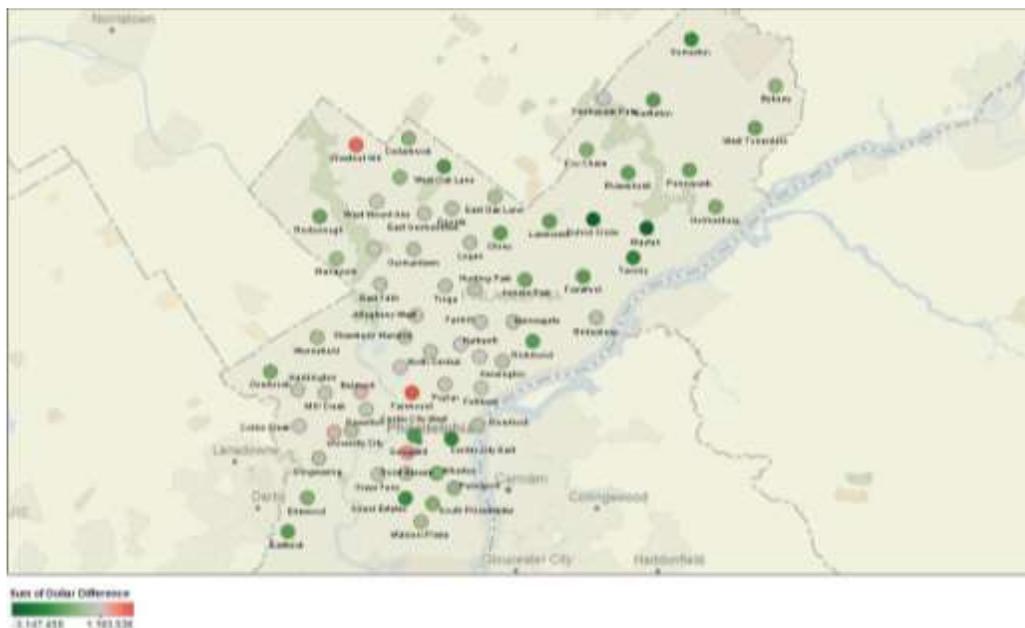
Land Value Tax Outcomes Study Pittsburgh Pennsylvania

The Philadelphia Experiment

LVT has also been the subject of hot debate in the city of Philadelphia. Currently, a non-utilization tax on vacant land and certified blighted buildings of the only legislation on the landscape. But again, the stark transfer property tax burden from poor and working-class neighborhoods to wealthy areas and underutilized valuable land is clear:



Land Value Tax Outcome for Philadelphia Council Districts Residential Properties 2011

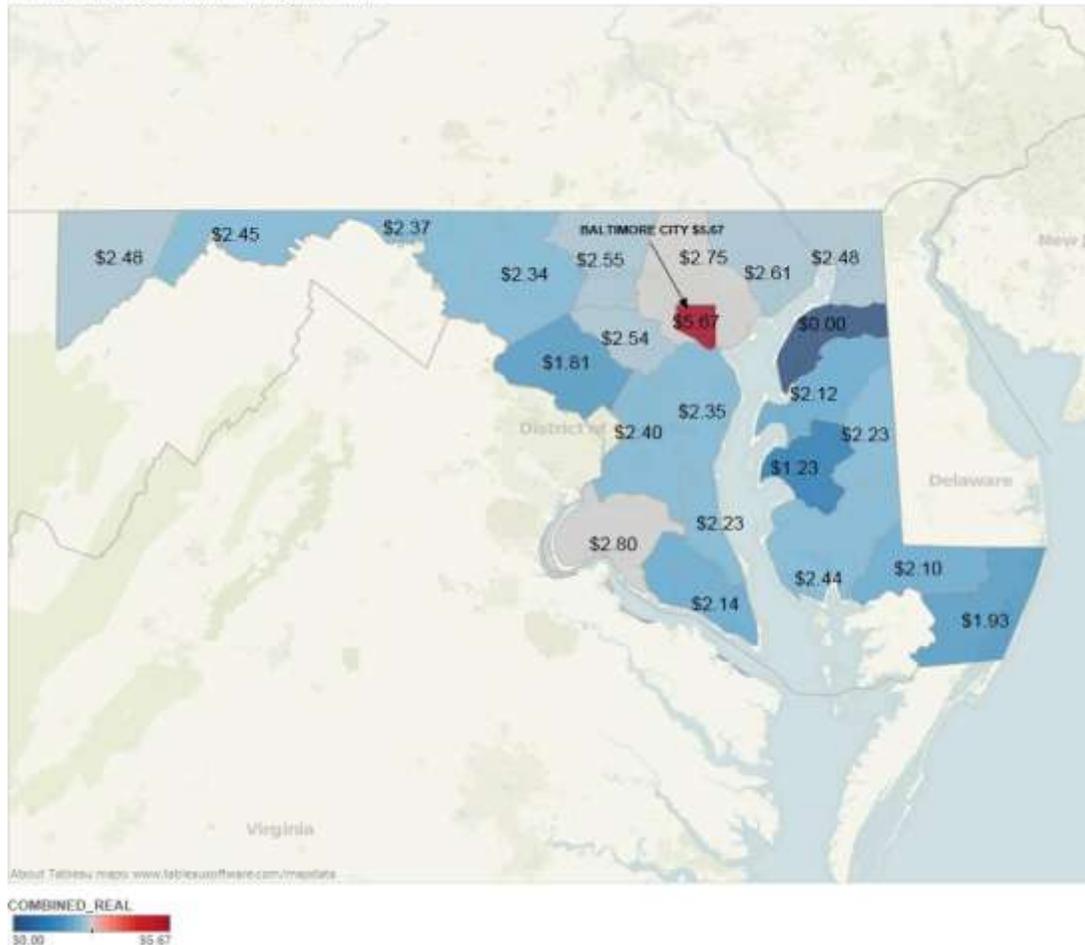


What is an example of taxation of labor and capital hurting the chances for a city's recovery?

An example, readily apparent to a casual observer, is the tax disconnect between aging cities and sprawling – but “hot” – suburban counties. The Baltimore Metro region is instructive as an example because the major governmental “engines” are the counties.

When Baltimore City's property tax rates are compared to surrounding jurisdictions, the problem is apparent (see Chart 1 Maryland Department of Assessments and Taxation Data, CSE graphic 2012).

County Property Tax Rates Maryland 2013



This is not an isolated case. We can travel to any conurbation on the East or West Coast:

Poverty, Taxes and Regional Disparities: The Wealth Gap in Congressional District 4

Connecticut's Congressional District Four represents a tragic reality of diverging sets of paths: The “Gold Coast” of Greenwich, Darien, and Stamford, cheek by jowl with Bridgeport, one of the poorest cities in the state.

How can we demonstrate the current state of affairs, and how can we offer real reforms that will not seize the fruits of an individual's labor, but instead provide a tool that binds together the region and distributes the Commonwealth to the entire polity? How can we equitably provide a “Community Chest” to help poorer areas of CD4 stand on their own feet, while not pulling down their more prosperous neighbors?

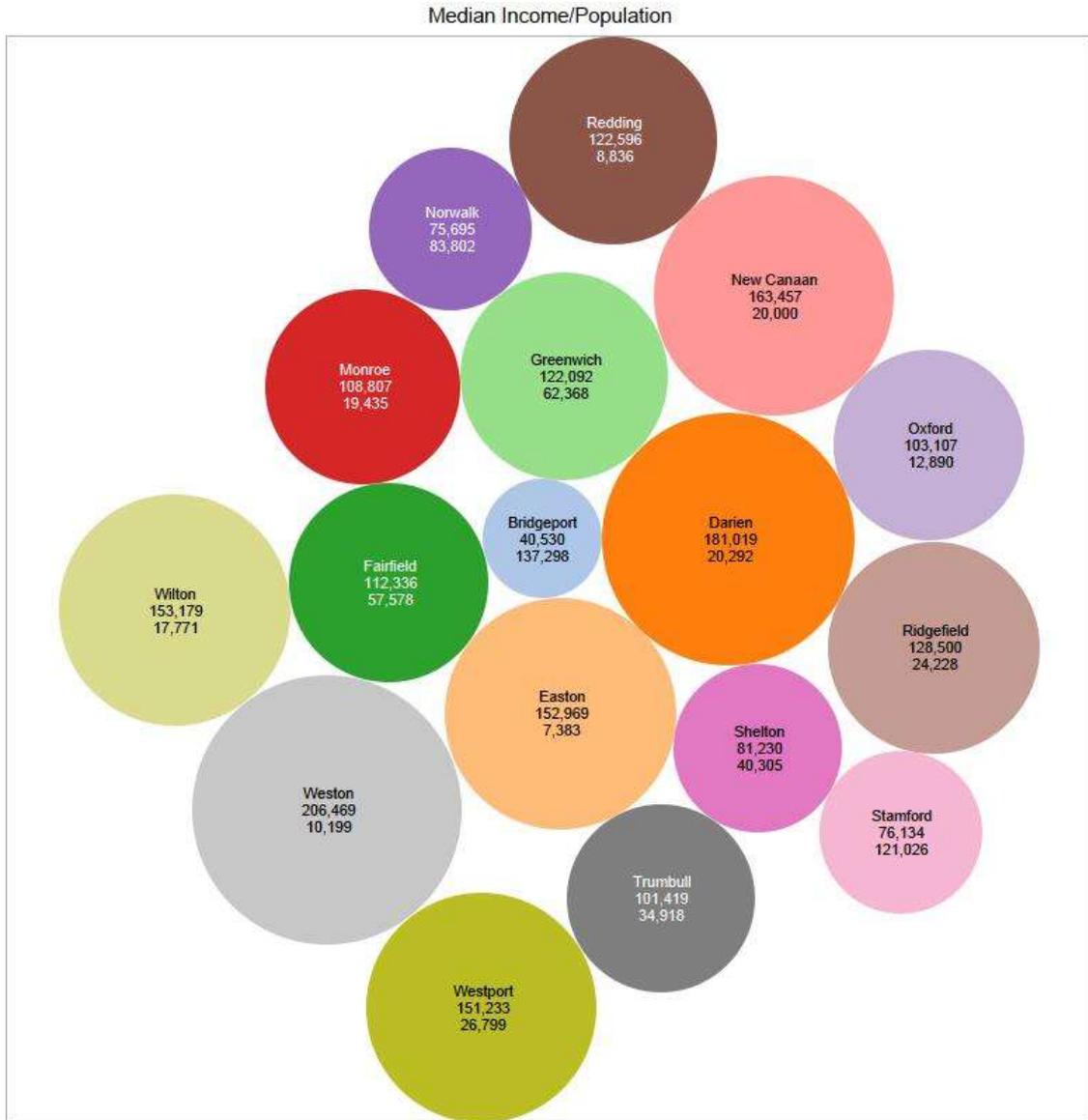
Can we “share the wealth?” Yes. We can share community created economic value that lies inherently in the land, a value created by all who live in CD4, from Wilton to Bridgeport.

The task is daunting, and we will present the information graphically to illustrate the impact of these disparities between neighbors.

This is Congressional District Four. Taken as a whole, the district is very wealthy indeed. Yet, when we reach the artificially constructed city and town borders (each with its own land use and exclusionary zoning policies), we see very different states of economic health.

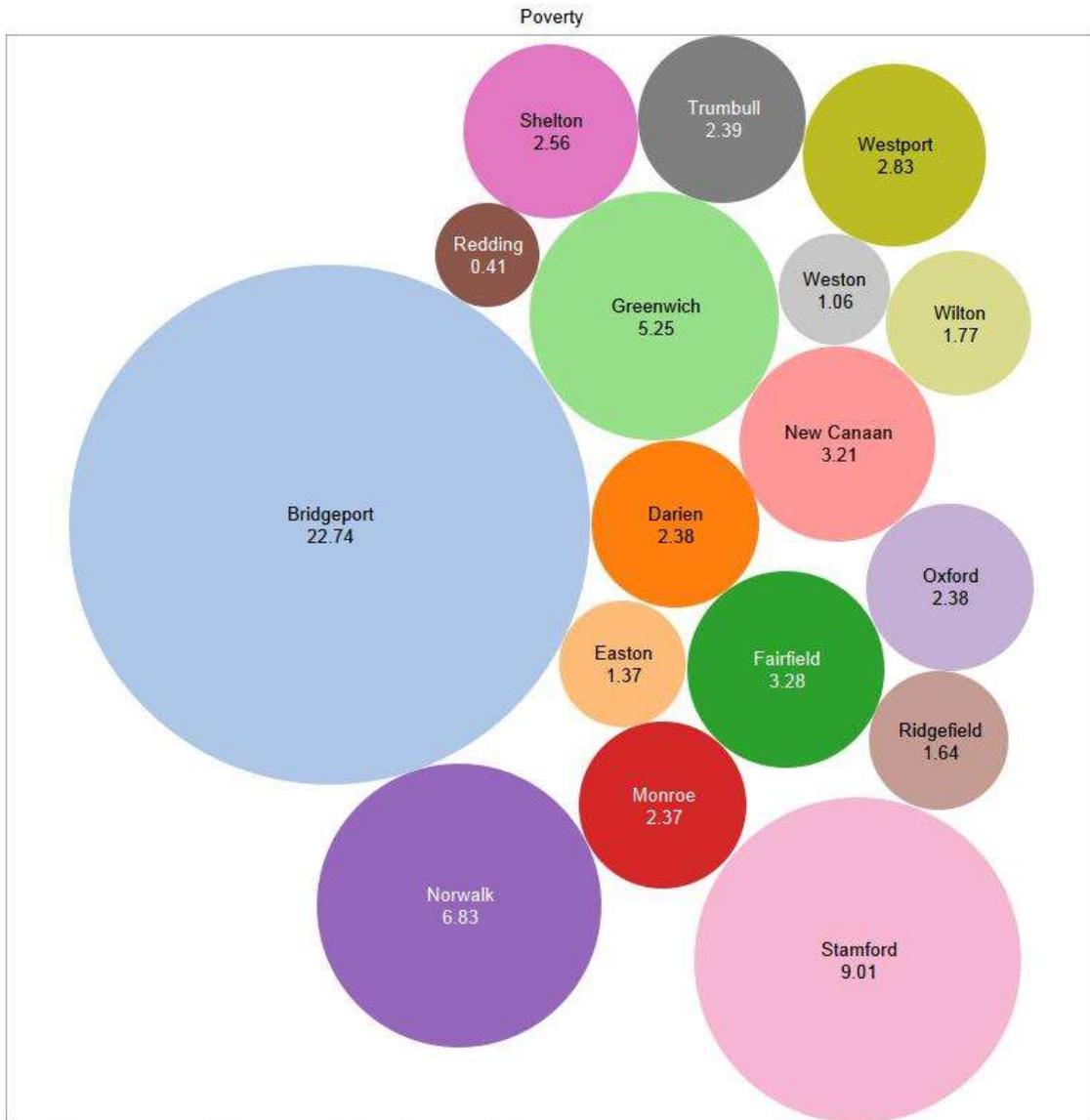


We are often told that human capital we are often told that human capital is the future. Yet this chart correlates the reality of large populations and low incomes in CD4:



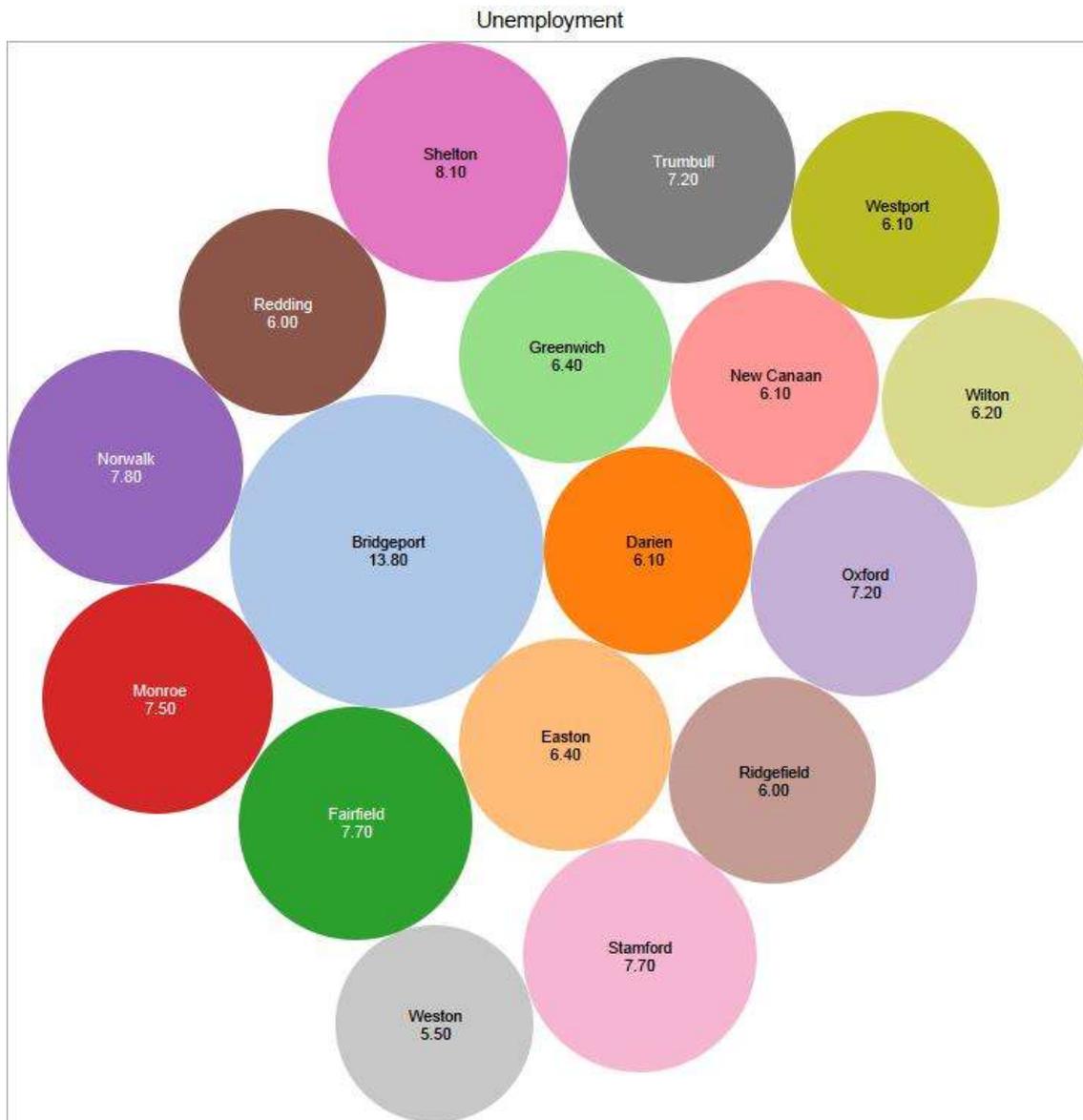
City, sum of Median Income, Households, Number and sum of Population, Number, 2009. Color shows details about City. Size shows sum of Median Income, Households, Number. The marks are labeled by City, sum of Median Income, Households, Number and sum of Population, Number, 2009. The view is filtered on City, which excludes Null.

Although Bridgeport is by far the largest city in population, it nearly “disappears” amongst the smaller cities of CD4 because we’ve calculated the size of the circles on median household family income. Bridgeport is neither wealthy nor middle-class, but is instead an enforced enclave of poverty. The next chart illustrates just that fact:



City and sum of Families, Incomes under 130% of poverty, Percent. Color shows details about City. Size shows sum of Families, Incomes under 130% of poverty, Percent. The marks are labeled by City and sum of Families, Incomes under 130% of poverty, Percent. The view is filtered on City, which excludes Null.

The 2010 poverty rate (little changed since then) is astonishingly high in Bridgeport. Because of an unemployment rate approaching double that of the next highest town (Shelton), there's little cause to expect recovery for Bridgeport if it is left on its own, with declining state and federal aid (austerity, in the cliché of the day).



City and sum of Unemployment rate, Rate (per 100), 2010. Color shows details about City. Size shows sum of Unemployment rate, Rate (per 100), 2010. The marks are labeled by City and sum of Unemployment rate, Rate (per 100), 2010. The view is filtered on City, which excludes Null.

Traditional use of the products of work, investment and savings which lie outside of the Commons cannot fill the gap needed. In the new age of mobility – where incomes both personal and corporate can vanish with the click of a mouse across borders render cyberspace – the Emergency Room that are the nations in world centers of poverty demand more than a Band-Aid.

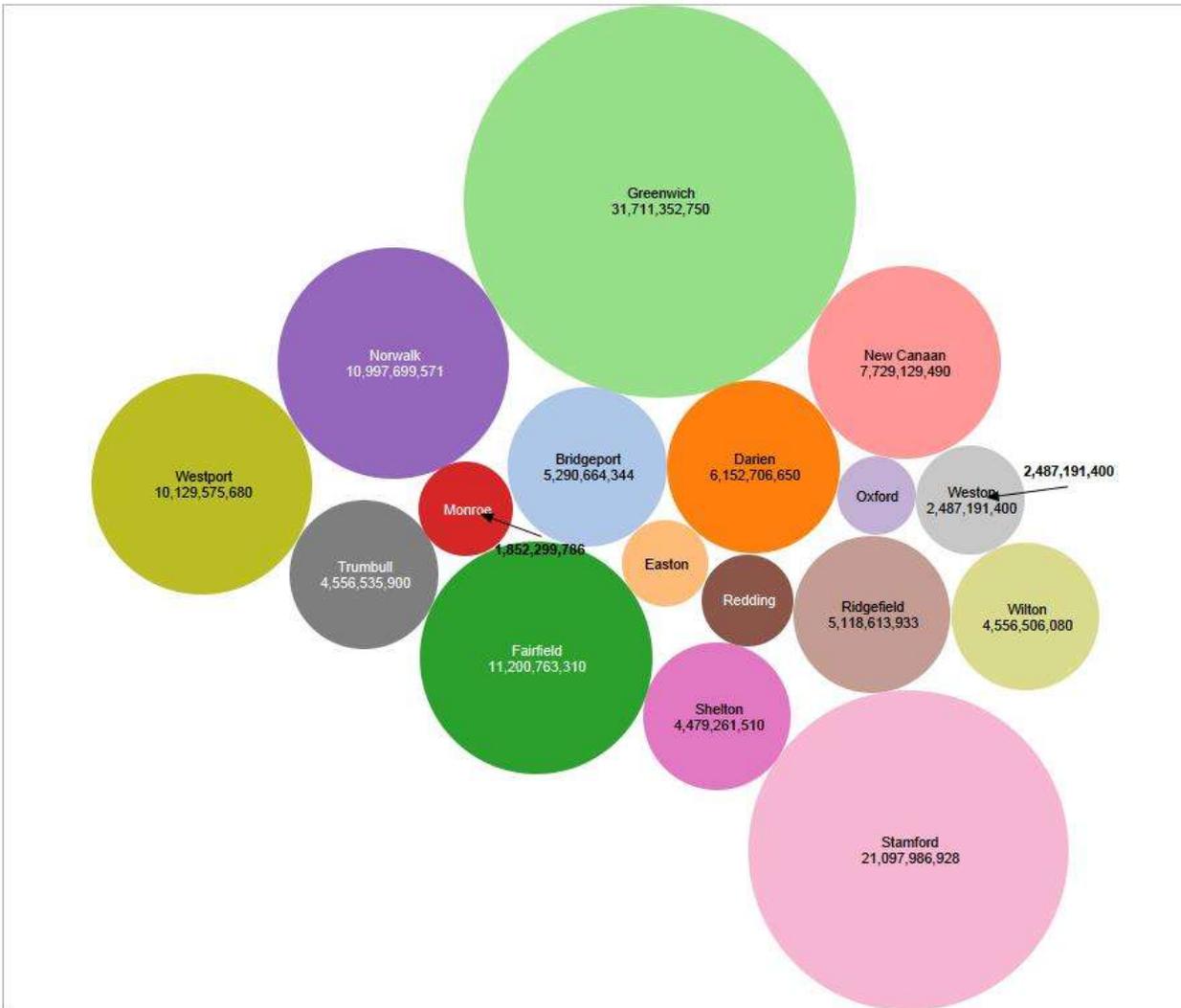
We need to go to the roots (or *radix* from the Latin) for radical change. A doable reform is to share the Commons across neighborhood, city, county, regional, national and international boundaries. How to start?

My colleagues on this forum have defined the Commons in its classical and inalterable state. The task now is to quantify in a recognizable way how sharing the Commons would work, without antireform reaction. As we propose that the Commons is found in that which is not designed, created, invented, built or bought by

humanity, we can measure our Commons in various ways. The rain forest, the oceans and the air we breathe are just some examples of the Commons that exist with an intangible value that serves our very survival.

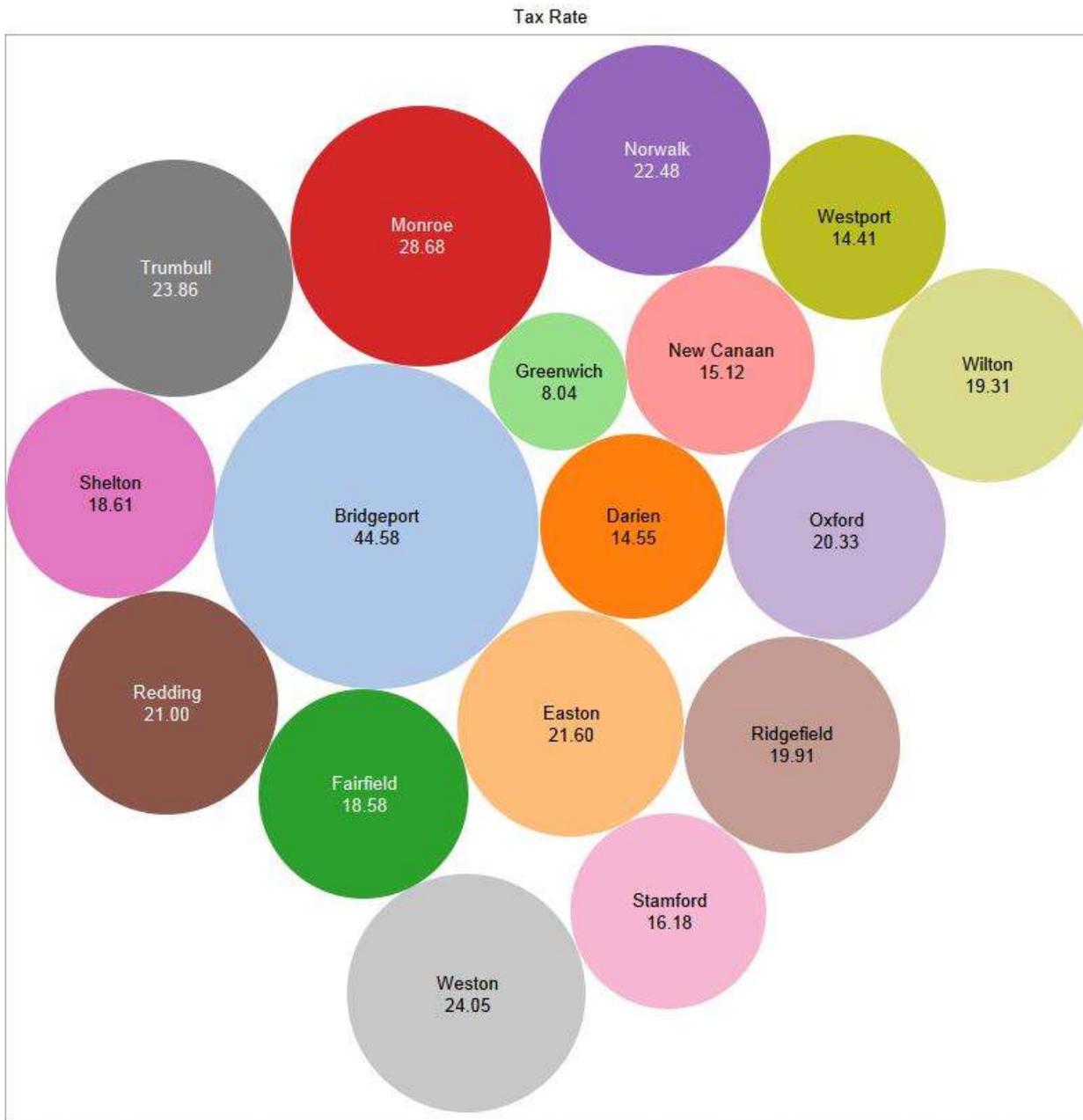
One aspect of the Commons is the value of land. It's a good place to start our discussion here as we move forward. How would this work? In CD4, each town and city has an accounting of the value of the land and buildings that exist within the city. Traditionally taxation is the tool with which to fund the engines of the community to provide equity, justice and fairness. These are the values of the municipalities in CD4:

Grand List Taxable



City and sum of Total Grand List. Color shows details about City. Size shows sum of Total Grand List. The marks are labeled by City and sum of Total Grand List. The view is filtered on City, which excludes Null.

What do the particularly wealthy cities do with this wealth that rests mostly in land and property? Naturally, they keep it for themselves in the form of dramatically low taxes and tax rates: Bridgeport's tax rate, where people are least able to pay, layout nearly 4 ½% a year in taxes. In fabled Greenwich, the tax rate is less than 1%. Change is needed.

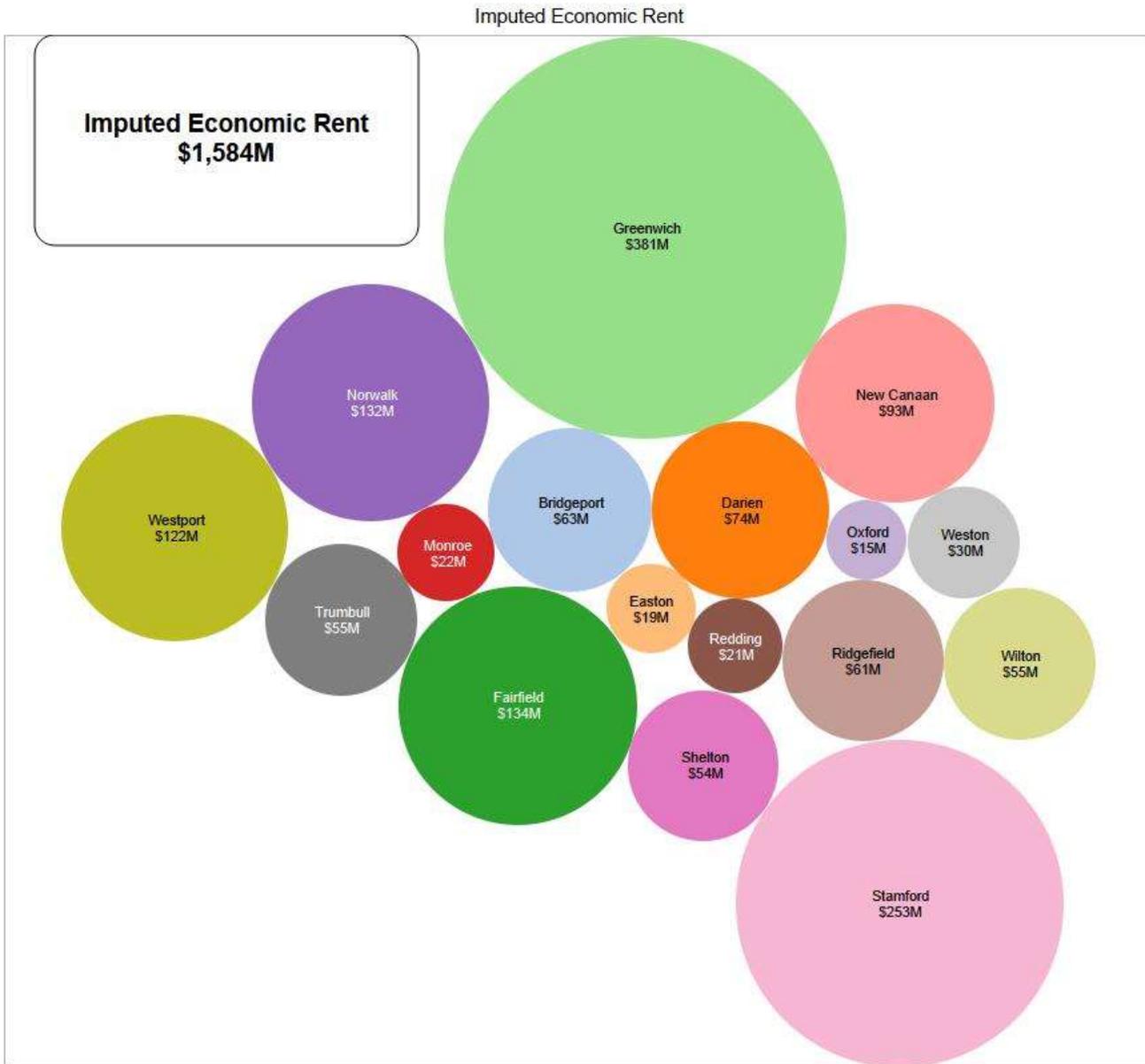


City and sum of Mill rate, Rate (per 1000), 2007. Color shows details about City. Size shows sum of Mill rate, Rate (per 1000), 2007. The marks are labeled by City and sum of Mill rate, Rate (per 1000), 2007. The view is filtered on City, which excludes Null.

The change that is practical and has been done already in Pennsylvania, Australia, Taiwan, Estonia and many other jurisdictions that try to help all the people is to transfer back to the Commons the economic value of land. We've tried to create a basic model based upon pre-existing and precedential taxation systems in the United States. In other nations, the same systems would also be the basis for this radical reform, as they would then be displaced by the claim of the community to the Commons. What is the plan? Here we've

determined an imputed economic rent of 2 ½% per year. We've averaged the assessed value of land for towns ranging from wealth to poverty-stricken. Land value as a share drops as the presence of poverty and its effects play out. Greenwich and Darien, etc. share about 50% as land value, Bridgeport about 25%. The land value data is based upon market rate assessed values which have been rounded for purposes of illustration. We believe that these shares on a local, regional or national basis can be replicated anywhere in the world. The law of economic rent in the Commons is universal.

The result of this share of economic rent is thus:



City and sum of Imputed Economic Rent. Color shows details about City. Size shows sum of Imputed Economic Rent. The marks are labeled by City and sum of Imputed Economic Rent. The view is filtered on City, which excludes Null.

Conclusion:

Unleashing the Common Wealth to fund the needs of all of the community has been effectively hidden for centuries. Only now, with the failures of the past century super-state and super-corporatist policies that concentrate publicly created value into the hands of a very few – be they government or corporations – that these questions started to arise. We believe these simple but fact-based demonstrations make this an urgent issue for our times.