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Paper Title:

Economic Incentives for Building Sustainable Local Communities

Abstract:

This paper describes why it is necessary to “go local” and details ways to harness incentives for building sustainable local economies with the capacity to provision basic needs for all. While several approaches are described, the capture of economic rent for public benefit via land value taxation is presented as a key policy.

Themes explored: Components of a local sustainable economy; why go local; how to go local; community currencies; foundation – correct reform of local tax policy; GDP as earned and unearned income; holistic integrated green tax shift; land, taxes, and sustainable agriculture; going local versus the military industrial financial complex; resources for next steps.

Author:

Alanna Hartzok, Co-Director, Earth Rights Institute,

[alanna@earthrights.net](mailto:alanna@earthrights.net) / [www.earthrights.net](http://www.earthrights.net)

Ph: 717-264-0957 Cell: 717-357-7617

If the government does not propose to protect the lives, livelihoods, and freedoms of its people, then the people must think about protecting themselves. How are they to protect themselves? There seems, really, to be only one way, and that is to develop and put into practice the idea of a local economy... Without prosperous local economies, the people have no power and the land no voice. -- Wendell Berry<sup>1</sup>

## WHAT IS A LOCAL SUSTAINABLE ECONOMY?

Embedding the economy in a locality is a simple concept with profound implications. Local control of – and responsibility for - food, soil, water, materials and energy – provides the bedrock essentials while local provisioning of housing, clothing, furniture, health care and other services further expands community pride, caring, security and a sense of place.

Most localities, even small villages, have the capacity to provision basic necessities and the potential to use local labor, land, capital, and technology to serve local markets. A locally embedded economy yields considerably more power and control to citizens who can make wise decisions for ecological protection and restoration.

Michael H. Shuman in his pivotal work Going Local presents a clear view of the benefits and necessities of building sustainable local economies. He says:

Going local does *not* mean walling off the outside world. It means nurturing locally owned businesses which use local resources sustainably, employ local workers at decent wages, and serve primarily local consumers. It means becoming more self-sufficient, and less dependent on imports. Control moves from the boardrooms of distant corporations and back to the community.... Prosperity follows when ownership, production and consumption become intimately connected with place.<sup>2</sup>

Shuman details three primary features of local self-reliance: producing locally for local needs, local ownership of businesses, and channeling local savings and investment capital into building the local economy. He views the starting place for restructuring the local economy in the financial sector of community banks, thrifts, credit unions, and pension funds. Nonprofits, cooperatives and public enterprises are all good local ownership vehicles, although Shuman views for-profit community corporations owned exclusively by residents as the best form of ownership.<sup>3</sup>

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<sup>1</sup> Wendell Berry, "The Idea of a Local Economy", originally published in the Winter 2001 issue of Orion magazine, <http://www.relocalize.net/node/4770>.

<sup>2</sup> Michael H. Shuman, *Going Local: Creating Self-Reliant Communities in a Global Age* (New York: Routledge, 1998, 2000) 6-7.

<sup>3</sup> *Ibid.* 28-29.

A primary focus of going local is creating and supporting businesses that reduce reliance on imports for basic needs. Supply/demand for essentials are steadily coaxed into a local loop, thus strengthening the “economic multiplier.”

“A community in which money flows out quickly and never returns slowly bleeds to death,” says Shuman. “The primary virtue of import substitution, community corporations, and local investment is that these strategies increase the likelihood of the economic multipliers staying at home.”<sup>4</sup>

Another goal of going local is to protect and enhance the environment, at least the dimensions of the environment that are close to home. Wendell Berry lists pollution, species extinction, loss of wilderness, loss of farmland, and loss of topsoil as concerns that can be addressed at the local level. He says:

The "environmental crisis," in fact, can be solved only if people, individually and in their communities...begin the effort to take back into their own power a significant portion of their economic responsibility.... We have an "environmental crisis" because we have consented to an economy in which by eating, drinking, working, resting, traveling, and enjoying ourselves we are destroying the natural, the God-given world.<sup>5</sup>

## WHY GO LOCAL?

It is organized violence on top which creates individual violence at the bottom. – Emma Goldman

This two minute video shows an individual under economic duress:

<http://theeconomiccollapseblog.com/archives/will-americans-be-able-to-handle-the-next-great-depression-not-if-they-are-anything-like-this-guy>

The capitalist economic system as currently structured is unsustainable. It has concentrated wealth and power into the hands of so few while the many experience ever growing insecurity, deprivation and suffering. It has devoured and destroyed a massive quantity of the natural resources of land, air and water that provide the basis of life on earth.

The purpose of this first section of the paper is to present several bits and bites of facts and stats in order to back up the proposition that our only hope now is to build local based economies as quickly as possible. Altogether this information conjures a phantasmagoric nightmare of mythic dimensions. And climate change is barely addressed! But we must now live knowing that this is not a dream. Nothing will improve

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<sup>4</sup> Ibid. 50.

<sup>5</sup> Berry, op.cit.

until we awaken to the urgent necessity of taking individual responsibility for building a world that works for everyone and for life itself.

New studies reveal that the social divide between rich and poor in the US has grown much starker in the current economic crisis, and that even before it hit the country was the most unequal of the advanced economies, with great wealth and extreme poverty having become virtually hereditary conditions.<sup>6</sup>

According to the Economic Policy Institute<sup>7</sup> the current crisis for many middle-income families who have lost jobs, homes, and retirement savings is the result of deep structural inequities. EPI research shows that during the past 30 years nearly 35 percent of total income growth in the US was cornered by the top one-tenth of 1 percent of income earners. The bottom 90 percent shared only 15.9 percent of income growth in the same period.

The United Nation's Gini Coefficient,<sup>8</sup> which measures the national distribution of family income, shows that the US had the highest level of inequality of the highly industrialized countries, based on the data available in 2008. It was ranked as slightly more unequal than Sri Lanka, and on a par with Ghana and Turkmenistan. In the Central Intelligence Agency *World Fact Book's* Gini ranking for 2008,<sup>9</sup> the US fell just behind Cameroon.

Huffington Post and NiemanWatchdog.org laid out a list of "Seven Things About The Economy Everyone Should Be Worried About" concluding:

There is plenty of reason to believe that this crisis was instead an expression of structural problems. And if that is so, and we don't take the proper action, then the wait could be a long one."<sup>10</sup> These investigations by John Hanrahan point to "The endemic fraud at the heart of the collapse, the resultant need for a comprehensive dissection of some key financial institutions, how the wars in Iraq and Afghanistan have weakened the economy, the dramatic effects of the crash on domestic poverty and world poverty..."<sup>11</sup>

David DeGraw, in his article titled "The Economic Elite Have Engineered an Extraordinary Coup, Threatening the Very Existence of the Middle Class" states: "The economic elite have robbed us all. The amount of suffering in the United States of America is literally a crime against humanity."<sup>12</sup>

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<sup>6</sup> Tom Eley, "America, the land of inequality" WSWS.org, 13 February 2010

<sup>7</sup> <http://www.epi.org/>

<sup>8</sup> <http://www.scribd.com/doc/328232/United-Nations-Gini-Coefficient>

<sup>9</sup> <http://www.wsws.org/articles/2010/feb2010/pers-f13.shtml> and <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html>

<sup>10</sup> John Hanrahan, Dan Froomkin Seven Things About The Economy Everyone Should Be Worried About 01-23-10 [http://www.huffingtonpost.com/2010/01/23/7-things-about-the-econom\\_n\\_433688.html](http://www.huffingtonpost.com/2010/01/23/7-things-about-the-econom_n_433688.html) and NiemanWatchdog.org

<sup>11</sup> Ibid.

<sup>12</sup> David DeGraw,

<http://www.alternet.org/economy/145667/the-economic-elite-have-engineered-an-extraordinary-coup%2C-threatening-the-very-existence-of-the-middle-class> February 15, 2010.

DeGraw further laments:

The harsh truth is that 99 percent of the U.S. population no longer has political representation. The U.S. economy, government and tax system is now blatantly rigged against us... It has now become evident to a critical mass that the Republican and Democratic parties, along with all three branches of our government, have been bought off by a well-organized Economic Elite who are tactically destroying our way of life.<sup>13</sup>

Tony Hall, director of the *Alliance to End Hunger*, former Member of Congress (D-OH) and Ambassador to the U.N. Food and Agriculture Agencies, tells us: "Voters are very anxious about how they are going to make ends meet and feed their families. Congress should move swiftly to meet the needs of people who are hurting."

In a new poll by the Alliance, one in two voters reported that they are living paycheck-to-paycheck and that this predicament is having a real impact at the kitchen table. Forty-two percent of voters are buying less food or worrying about going hungry because of the recession.

James Howard Kunstler says that "the American economy has six months or less to live." He foresees, among a plethora of other grim scenarios, massive numbers of hollowed out malls and commercial spaces. He expects "these places to become squats for the desperate homeless."<sup>14</sup>

Noam Chomsky declares:

January 21, 2010 will go down as a dark day in the history of U.S. democracy, and its decline. On that day the U.S. Supreme Court ruled that the government may not ban corporations from political spending on elections-a decision that profoundly affects government policy, both domestic and international. The decision heralds even further corporate takeover of the U.S. political system<sup>15</sup>

*The Economic Collapse* blog recently detailed "20 reasons why the US economy is dying and is simply not going to recover"<sup>16</sup> and shortly thereafter listed "eleven clear signs that the US economy is headed into the toilet."<sup>17</sup> The final verdict:

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<sup>13</sup> Ibid.

<sup>14</sup> James Howard Kunstler: The American Economy has 6 Months or Less to Live, Monday, 11 January 2010  
<http://kunstler.com/blog/2010/01/six-months-to-live.html#more>

<sup>15</sup> . In These Times, February 3, 2010 [http://www.inthesetimes.com/article/5502/the\\_corporate\\_takeover\\_of\\_u.s.\\_democracy/](http://www.inthesetimes.com/article/5502/the_corporate_takeover_of_u.s._democracy/)

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<sup>16</sup> Economic Black Hole: 20 Reasons Why The U.S. Economy Is Dying And Is Simply Not Going To Recover  
<http://theeconomiccollapseblog.com/archives/economic-black-hole-20-reasons-why-the-u-s-economy-is-dying-and-is-simply-not-going-to-recover>

<sup>17</sup> <http://theeconomiccollapseblog.com/archives/11-clear-signs-that-the-u-s-economy-is-headed-into-the-toilet>  
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Exploding unemployment, personal bankruptcies, and mortgage defaults are shrinking the middle class while increasing hunger and homelessness for the already poor are signs of massive human suffering in America. Clearly, the foundations of the US "real economy" have been destroyed.

A websearch using keywords "exploding unemployment" yields 3,680,000 hits.

Sean Brodrick asks if we are prepared for the "5 Deadly Emergencies" of energy, water, food, climate, and indebtedness.<sup>18</sup> Paul Farrell lists "20 Reasons Global Debt Timebomb Explodes Soon" saying "and yes, any one can destroy your retirement because all 20 are inexorably linked, a house-of-cards, a circular firing squad destined

to self-destruct, triggering the third great Wall Street meltdown of the 21<sup>st</sup> century, igniting the Great Depression II..."<sup>19</sup>

Always we must remember that this end game is global. Sharan Burrow, President of the International Trade Union Confederation, representing 175 million workers in 155 countries, told the World Economic Forum in Davos:

...some 60 million people are expected to lose their jobs due to this crisis and taxpayers having to bail out financial institutions which failed because of a toxic combination of greed and the withdrawal of governments from their responsibilities to govern effectively.<sup>20</sup>

In an interview with Fox News in November, Obama himself raised the possibility that the economy could once again head into a tailspin. He said:

I think it is important though to recognize that if we keep on adding to the debt, even in the midst of this recovery, that at some point, people could lose confidence in the US economy in a way that could actually lead to a double-dip recession.<sup>21</sup>

Back in March, Obama described Wall Street as a "house of cards" and a "Ponzi scheme" in which "a relatively few do spectacularly well while the middle class loses ground."<sup>22</sup> In his major speech on the economy last April, the president proclaimed that

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<sup>18</sup> Sean Brodrick, Are You Prepared for the 5 Deadly Emergencies? January 22, 2010.  
<http://www.uncommonwisdomdaily.com/are-you-prepared-for-the-5-deadly-emergencies-5-8222>

<sup>19</sup> 20 Reasonsn Gloal Debt Timebomb Explodes Soon  
By Paul Farrell Saturday, 06 February 2010  
<http://carolynbaker.net/site/content/view/1500/1/>

<sup>20</sup> to read the Labour Leaders' statement to Davos 2010, see: [http://www.ituc-csi.org/IMG/pdf/2010\\_Statement\\_of\\_Labour\\_Leaders\\_to\\_the\\_World\\_Economic\\_Forum\\_Annual\\_Meeting.pdf](http://www.ituc-csi.org/IMG/pdf/2010_Statement_of_Labour_Leaders_to_the_World_Economic_Forum_Annual_Meeting.pdf)

<sup>21</sup> <http://www.reuters.com/article/idUSN188108620091118>

<sup>22</sup> [http://voices.washingtonpost.com/white-house-watch/2009/03/obama\\_tries\\_to\\_harness\\_the\\_out/pf.html](http://voices.washingtonpost.com/white-house-watch/2009/03/obama_tries_to_harness_the_out/pf.html)

"we cannot go back to the bubble-and-bust economy that led us to this point."<sup>23</sup>

The tools out of a recession and a depression and the way to build a sustainable economy with a fair distribution of wealth are known, but not by the pundits and those spectrum who receive media attention. There in that TV court, the ball eternally bounces between higher and lower interest rates, increased or decreased government spending, regulations and deregulations.

Meanwhile, nothing improves and everything and nearly everyone important and near and dear to us gets worse. Cancers due to contaminants continue to kill; obesity increases and public health plunges while the food quality deteriorates; stressed out parents have ever less time and energy to care for their children; and bills and pills are us.

Obama shone a clear light on key problems when he said:

It is simply not sustainable to have a 21st-century financial system that is governed by 20th-century rules and regulations that allowed the recklessness of a few to threaten the entire economy. It is not sustainable to have an economy where in one year, 40 percent of our corporate profits came from a financial sector that was based on inflated home prices, maxed-out credit cards, over-leveraged banks and overvalued assets. It's not sustainable to have an economy where the incomes of the top 1 percent has skyrocketed while the typical working household has seen their incomes decline by nearly \$2,000. That's just not a sustainable model for long-term prosperity.<sup>24</sup>

But Obama is a prisoner to a massively dysfunctional, bought-out, corrupted, confused, and overly centralized political and economic system. The best he can do would be to point to Michelle's backyard organic produce garden as an example worthy of emulation worldwide.

The federal government is too hopelessly bogged down to be our salvation. But there is a way out of the muck and brambles of neoliberal economics and partisan politics. That path leads to building local sustainable economies. The guidelines are clear, the models are emerging, and the key lies in properly harnessing incentives for basic needs production in such a way as to secure a fair distribution of wealth along with environmental restoration and protection. It is simply time for those who understand the importance of "economic rent" in building "the next economy" to join forces with the citizens' movements who are leading the way.

## HOW TO GO LOCAL

Obama used biblical imagery from Jesus's Sermon on the Mount to liken the boom-and-bust economy he inherited to a house built on sand. He said that the future U.S.

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<sup>23</sup> <http://www.nytimes.com/2009/04/14/us/politics/14obama-text.html?pagewanted=5>

<sup>24</sup> <http://www.whitehouse.gov/blog/09/04/14/The-House-Upon-a-Rock/>

economy he is working toward is one built on a rock that could weather a storm.<sup>25</sup> But nowhere in all his Ivy League or grassroots community education was our president exposed to economic fundamentals. If he had he would know that the house built on sand is an apt metaphor for an economy built on the private appropriation of “economic rent” while a house built on rock would indicate an economy grounded on the knowledge that economic rent is socially generated – a measure of the social surplus – and that a fair free economy must thus be built upon the full and equal right of all to the commons of economic rent.

A recently published Brookings Institute paper asserts that 85% of the American economy occurs in our cities, that the cities were not getting what they need to pull out of these fiscal crises, and that the stimulus resources were also not getting there in fair portions.<sup>26</sup>

Generating a local economy means squarely addressing one of the largest leakages of funds which otherwise could build the local economy – national payroll and other income taxes. We cannot wait in eternal hope that the federal government will unite to remove taxes on labor income. Increasing numbers of us are prepared to take a stand against “taxation without representation.

Shuman’s stance on the role of the federal government is this:

... to incubate a self-reliant economy over the long haul, it also must be vigilant that the federal government doesn’t stand in the way... There is a legitimate role for the federal government to play in redistributing resources between rich and poor communities. Regional inequalities cause migration and economic upheaval. ... the federal government needs only one program to address these inequalities – that program should have been General Revenue Sharing.<sup>27</sup>

Middlebury Institute, with Kirkpatrick Sales as director, takes a different principled stance on the role of the federal government, tasking itself with “the study of separatism, secession, and self-determination.” In his paper titled “To The Size of States There is a Limit” Sales states: “Let me underscore that conclusion: the only hope is secession.”<sup>28</sup> Note that googling “secession” on February 23, 2010 yielded 273,000 hits.

Michael Lind, in “To Have and to Have Not” tells why he has completely lost hope that any of the branches of the US government are willing or able to serve the general welfare. He says, “The harsh truth is that 99% of the U.S. population no longer has political representation. The U.S. economy, government and tax system is now blatantly rigged against us.”<sup>29</sup>

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<sup>25</sup> <http://www.whitehouse.gov/blog/09/04/14/The-House-Upon-a-Rock/>

<sup>26</sup> Brookings Institute, [http://www.brookings.edu/papers/2009/1118\\_cities\\_fiscal\\_challenges\\_muro\\_hoene.aspx](http://www.brookings.edu/papers/2009/1118_cities_fiscal_challenges_muro_hoene.aspx)

<sup>27</sup> Shuman, op.cit. 151-153.

<sup>28</sup> <http://middleburyinstitute.org>

<sup>29</sup> Michael Lind, “To Have and to Have Not”, <http://www.hartford-hwp.com/archives/45/006.html>



On February 18, 2010, Joseph A. Stack, a software engineer, flew his aircraft into the IRS building in Austin, Texas. His suicide note was not only a lengthy manifesto detailing his trials and tribulations regarding the IRS but also described what he had learned from the substantial research he had undertaken concerning federal taxation. Having tried other means to be heard by those in positions of power, he very consciously chose suicide as the best means at his disposal to call attention to the current reality of taxation without representation.

It was not right that Stack put others' lives at risk by his form of protest. The US Department of Homeland Security said that it was a "deliberate criminal act." President Obama was briefed on the situation but the White House emphasized that the incident did not appear to be linked to terrorism. A read through Stack's suicide manifesto indicates that he himself was feeling terrorized by the IRS. What are we to make of a suicide bomber attack on an IRS building by an American computer programmer?

Plugging the leak of tax dollars flowing from localities to the national government will considerably strengthen the capacity to develop viable local based economies. Here are Ten Steps Towards Community Self-Reliance:<sup>30</sup>

1. A Community Bill of Rights
2. The State of the City Report
3. Anchor Corporations
4. Community-Friendly Business Schools
5. Community Finance
6. Community Currency
7. A Community-Friendly City Hall
8. Political Reform
9. A Lobby for Localism
  
10. Interlocalism

It is not the purpose of this paper to delve into the above points. (Those wishing to do so are encouraged to acquire a copy of Going Local.) All ten of them can help to harness incentives for building sustainable local economies with the capacity to provision the basics of food, shelter, clothing, education and healthcare.

However, upon review of the literature it is clear that localizers have given insufficient attention to the correct structuring of local public finance policy as an essential element of their vision. Shuman shows some understanding of the importance of shifting taxes

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<sup>30</sup> Shuman, op.cit. 180-197.

from earned to unearned income and in Going Local describes several practical benefits of this approach. However, he devotes barely two paragraphs to this and then suddenly declares that "...a more radical proposal would be for state and local governments to scrap their property taxes and sales taxes, and to replace them with simple income taxes."<sup>31</sup> How disturbing to this writer that he so quickly threw away a golden key that can powerfully unite land, labor, and capital towards the building of sustainable, local based economies.

Correct reform of local property taxation by way of removing taxes from homes and other buildings and personal property and collecting full land rent yields these benefits:

- Land is freed from socially harmful incentives for profiteering and land speculation, and thus maintains affordability.
- Affordable land means more people in a locality can access land upon which to labor in the form of establishing local businesses, building homes, growing food, and securing energy from solar, wind and wood.
- When land costs are lowered and remain stable, more funding is freed for capitalization of local businesses, whether they be coops, community corporations, or individual and family owned. Lower land costs means lower land mortgage payments.
- Land rent is a substantial sum that can pay for education, healthcare and other public infrastructure.
- The above combined furthers an economy of permanence, securing both economic and psychological commitment to the caring for place.

Without fully capturing socially generated but now mostly privately appropriated land rent, the potential benefits of an embedded local economy cannot be met. Those putting their mental and physical energy into the local economy can indeed make many improvements. But like any technological innovation, including economic decentralization, the "law of rent" will hold true to course and land values will escalate more rapidly than the return to wages.

Those attempting to regenerate local economies without addressing the land problem will soon learn that some few in their communities will reap profits without sowing. After all, most localities have a small number of individuals, families and companies who own and control substantially more than their fair share of land and natural resources. As the local economy becomes more productive and attracts newcomers and the return of those who had previously left, inevitably land prices and then rent and mortgages will rise faster than the return to labor. Many will go from hope to despair once again.

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<sup>31</sup> Shuman, op.cit. 140.

But those with the going local vision who also understand the importance of capturing full land rent for public benefit via properly structured property tax will succeed in their goals. Not only will labor and capital reap its full reward and thereby be fully incentivized via the elimination of taxes on productive activities, but the community will avail itself of a more than sufficient source of funds to finance education, transportation, healthcare and other social services, and even the provisioning of low-interest loans.

Research as to the amount of economic rent that could be captured for public purposes backs up this position. To focus now on just one such study, Australia researchers have calculated that the economic rent of Australia is approximately one-third of GDP.

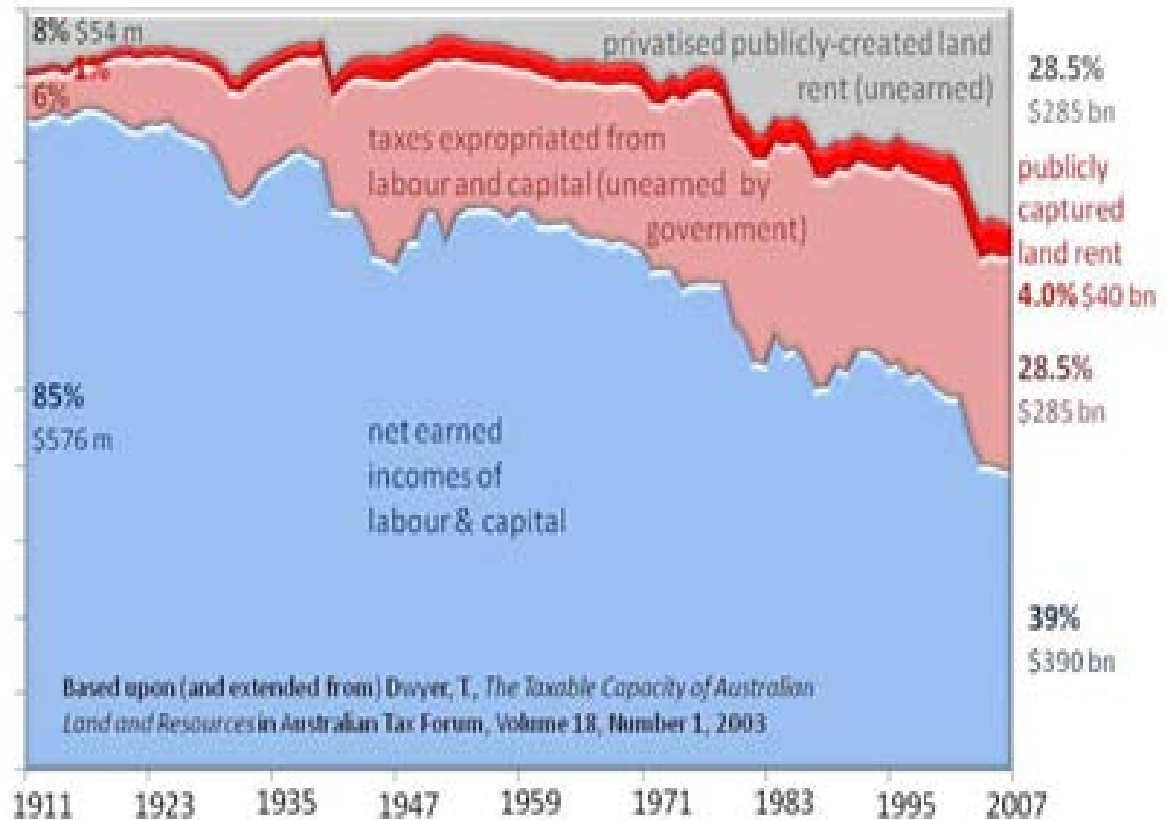
In their chart below you will note that during the past 100 years privatized publicly-created land rent grew from 8% to 28.5%; taxes expropriated from labor and capital grew from 6% also to 28.5%; and the net earned incomes of labor and capital shrunk from 85% to 39%. We have here a full portrait of how the real economy is cannibalized by landowners, many of them absentee, in addition to the mortgage and other finance sectors that collect interest when labor and capital cannot accumulate sufficient funds for housing and business start-ups.

It is a picture that portrays the dynamic of the loss of economic and thus democratic power by citizens stunned and stymied by the corruption of their governments. These governments now kowtow to the wealthiest citizens, those in top positions in the FIRE – Finance, Insurance and Real Estate – sectors whence goeth the economic rent.

The economies and efficiencies of scale that can be harnessed by going local will soon be undermined if localizers do not fully understand this dynamic and thus fail to put in place institutions, most importantly local public finance policies, that capture economic rent for social purposes in lieu of taxes on labor and production.

(scroll to next page for graph)

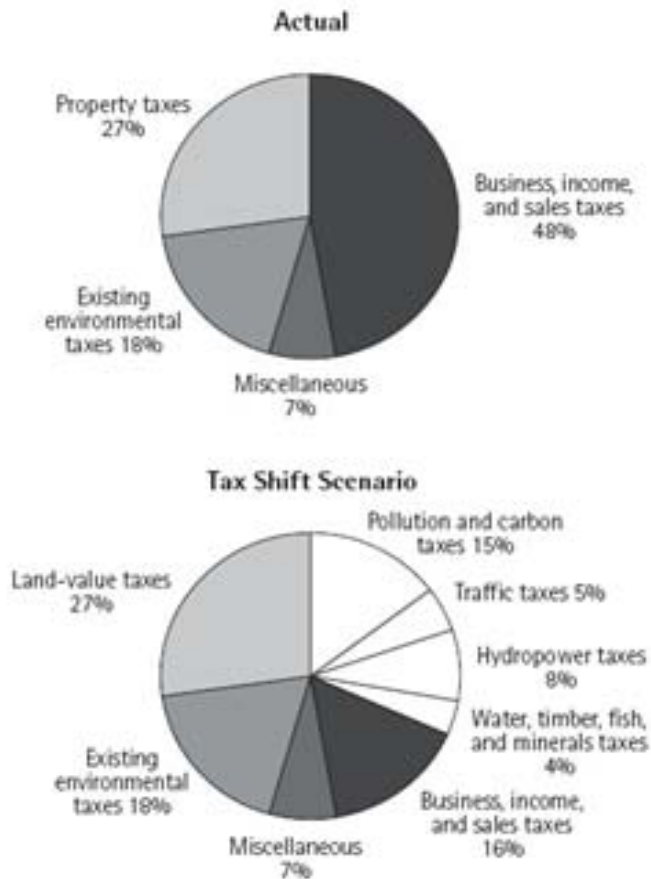
## GDP as earned and unearned incomes



Although Shuman does promulgate the idea of local green taxes, he is concerned about their potential regressivity, indicating that at the time of his writing Going Local, he most likely had not come across a “holistic, integrated, local to global green tax shift policy”<sup>32</sup> approach that describes a fully progressive way to both fully socialize rent and drive incentives to curb pollution.

<sup>32</sup> Alanna Hartzok, *Financing Local to Global Public Goods: An Integrated Green Tax Shift Perspective*, (presented at the Global Institute for Taxation Conference, New York, 1999) <http://www.earthrights.net/docs/financing.html>

Sightline Institute<sup>33</sup> has given us such a model:



**Figure 2. Sources of State, Provincial, and Local Revenue, Pacific Northwest, 1996**  
*Taxing "bads" at rates that reflect environmental costs would largely fund governments.*  
Sources: see Appendix.

The top diagram shows the tax sources and percentage revenues sum totaled for the states of Washington, Oregon, Idaho and the Canadian province of British Columbia. The bottom diagram models a strong step towards holistic integrated green tax shift harnessing significant incentives for basic needs production and environmental protection. This is a best practices approach to proper public finance policy for building sustainable local and regionally based economies.

<sup>33</sup> Sightline.org and go to their book [Tax Shift](#).

A more recent (2009) and highly detailed tax shift research paper was compiled by Gary Flomenhoft and associates and students of the Gund Institute, University of Vermont. A *Green Tax Shift for Vermont* models three options, the third for a 100% shift. The report states that this Option 3 “would simplify taxes enormously with a “single tax” on nature, and none on income, sales or any other productive activity in Vermont.”<sup>34</sup>

In the Revised Recommendations section Flomenhoft recommends that the Vermont Tax Commission rebate 100% of the carbon tax due to the regressive effects of energy prices on rural Vermonters. “If rebated equally to every one of an estimated 623,000 residents, this would result in a per capital rebate of \$271.”<sup>35</sup>

Another recommendation concerns capital gains taxes which currently do not differentiate between productive investments in goods and services and speculation and profiteering in real estate or financial securities. Flomenhoft recommends the exemption of job producing investments from capital gains taxes while maintaining them fully on speculative investments.

Also recommended is the creation of a State Bank of Vermont, similar to the Bank of North Dakota. All state funds and funds of state institutions would be deposited in the state bank which would administer lending programs to promote a sustainable state economy. In the case of a national economic crisis the state bank would be in a position to create bills of credit or a state currency. Flomenhoft tell us that “Another concept...is to withdraw state tax ad pension funds from Wall Street and instead deposit them with local community development banks. This could be done instead of forming a state bank, or in conjunction with it.”<sup>36</sup>

## COMMUNITY CURRENCIES

Several forms of local currencies have been designed to enhance incentives for local economy trade of goods and services. LETS (Local Exchange Trading System), Time Dollars, and local paper currencies have been put in place in a number of communities with neither support nor opposition from local government.

One well-known experiment took place in the Austrian city of Worgl in the early 1930s when nearly one-third of the population was out of work and tax collections waning. The mayor printed scrip to pay half the wages of city-council staff and permitted residents to use it to pay taxes. The system put Worgl residents back to work and the new tax revenue funded roads and sewers. Other towns began to print their own currencies until

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<sup>34</sup> Gary Flomenhoft, *A Green Tax Shift for Vermont*, Gund Institute, University of Vermont, December 2009, 14.

Powerpoint here:

[http://googleweb2.uvm.edu/search?q=a+green+tax+shift+for+vermont&site=default\\_collection&client=uvm2008&proxystylesheet=uvm2008&output=xml\\_no\\_dtd](http://googleweb2.uvm.edu/search?q=a+green+tax+shift+for+vermont&site=default_collection&client=uvm2008&proxystylesheet=uvm2008&output=xml_no_dtd)

<sup>35</sup> Ibid. 15.

<sup>36</sup> Ibid. 17.

the Austrian Central Bank, fearful of losing control of national monetary policy took these towns to court and scuttled the initiatives.<sup>37</sup>

Today, with the ease of exchanging money and trading over the Internet, advocates of alternative currencies consider it unlikely that the U.S. Treasury would attempt to clamp down on community generated paper currencies and other forms of local trade. Were local governments to accept local currencies as payment for at least a portion of land value taxes, it is likely that the task of building viable locally embedded economies would be substantially augmented.<sup>38</sup>

## FOUNDATIONS OF GOING LOCAL

People who control their own food, water and energy supplied from nearby fairly shared resources control their own destiny. They are economically liberated. When food, water and energy are controlled by others through a complex long distance chain, people themselves become vulnerable and easily controlled. They lose their capacity for action as independent entities.

Industrialized farming is dependent on petroleum-based pesticides and natural gas-based fertilizers, and fossil fuel-intensive machinery for harvesting, refrigeration and transportation. Breakdown or dysfunction at any link in the process can quickly lead to food shortages and skyrocketing prices. The emerging food crisis is about peak oil, peak water, climate change and global financial collapse converging at a time of heightened political gridlock and surplus powerlessness for the vast majority of people.

Most of our food and seeds are controlled by a few massive global corporations producing genetically modified crops and terminator seeds. They raise antibiotic laden livestock in tightly packed feedlots or tiny cubicles. Food grown in this way, lacking both concern for the well-being of animals and essential nutrients, contributes to the etiosis of preventable diseases. Industrial large-scale agriculture has not only compromised food quality, it has also destroyed biodiversity, fueled the obesity epidemic, and destroyed the viability of peasant agriculture, thus widening the gap between rich and poor both within the United States and around the globe.

It is now essential that the food supply be localized. Food coops can be created in urban neighborhoods of every town, and with proper incentives, new local farmers can produce organic fruit and vegetables abundantly from nearby small farms. Animals can once again be grown in sunshine and green fields.

Information gathered by John Ikerd and others tells us that “local has replaced organic as the most dynamic sector of the retail food market.” Sales of local foods grew from \$4 billion in 2002 to \$5 billion in 2007 and are projected to reach \$11 billion by 2011. Organic food sales are still far larger, approaching \$20 billion, but the rate of growth in

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<sup>37</sup> Shuman, op.cit. 138.

<sup>38</sup> See Bay Area Community Exchange for a community currency toolkit here: [http://sfbase.org/?page\\_id=28](http://sfbase.org/?page_id=28)

organic foods sales seem to be slowing while sales of local foods are accelerating. For many people, local has become the new organic. In fact, the word "locavore" was chosen by the New Oxford American Dictionary as their 2007 "word of the year."<sup>39</sup>

Intensively managed small farms producing a diverse range of food, fiber, livestock, and energy products for local markets are the order of the day. Bio-intensive farming methods depending on renewable energy sources - including animal power and bio-gas - can yield both social and environmental stability.<sup>40</sup>

The establishment of labor and bio-intensive small farming operations can be greatly furthered by local and regional land value taxes which capture economic rent for public benefits while simultaneously removing taxes on labor and productive capital. Affordable access to land for housing, farming, and other basic needs production is a result. Here is what we know about the effects of taxation policy on agriculture:<sup>41</sup>

1. Overall, as currently administered in most states, the property tax appears to be regressive since farm owners with larger amounts of land value pay disproportionately less in taxes than those with less valuable holdings.
2. The excessive complexity of the property tax is an administrative shortcoming and must be remedied before the real property tax can become an effective instrument of land use policy.
3. Smaller farms tend to have more buildings than larger ones but pay more because of these improvements under the current system.
4. Overtaxing buildings and undertaxing land favors large farming operations that are not necessarily the most efficient.
5. Lower property tax rates coincide with greater concentration of farm ownership and higher land costs which is a barrier to entry-level farmers.
6. The property tax would be more progressive if changed to a pure land tax which exempts buildings.
7. The greater the shift of property taxes from buildings and onto land values the more likely that the surplus land of larger, less efficient farms or speculative holdings would be released for affordable purchase by entry-level farmers.
8. While preferential assessments and farm subsidies may not be helpful in preserving farmland and, as currently administered, may be inequitable, zoning, tax abatements, and improvements in assessment practices could work in tandem with the land value tax shift, especially in urbanizing areas with high land values.
9. Urban sprawl and land speculation contribute to land price inflation which is a major barrier to entry-level farming. By encouraging infill-development and

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<sup>39</sup> John Ikerd, Local Foods; Local Economies, <http://www.townandcountryrca.org/documents/GG%20Ikerd%20Local%20Food-Local%20Economy.pdf>

<sup>40</sup> David C. Korten, "Civic Engagement to Create Just and Sustainable Societies for the 21st Century," The People-Centered Development Forum, (New York, NY, 1/10/96)

<sup>41</sup> Alanna Hartzok, "Pennsylvania Farmers and the Split Rate Tax" (in Land Value Taxation: The Equitable and Efficient Source of Public Finance, M.E.Sharpe, Inc., New York, 1999 and here: <http://www.earthrights.net/docs/pa-farmers.html>)



redevelopment within already urbanized areas land value tax (capture of land rent for public benefit) decreases land cost pressures on farmers.

10. Concentration in farm ownership has proceeded at an alarming pace for the past several decades, making it essential to fundamentally reform our system of taxation - then we can reward productive labor rather than land speculation, efficiencies of scale and careful stewardship rather than impersonal big farm consolidations.
11. Most farmers in rural areas of the state and particularly those with proportionately higher building-to-land ratios will save with a shift to land value tax.
12. Although some farms near urban areas may pay more with this tax reform, it may not be significantly more,... and the overall improvements in the economic climate of the locality which would result would be of benefit to the farming sector.
13. Substantially shifting taxes from buildings and productivity and onto land values would yield a major stimulus for the revival of sustainable agriculture and thus could help to alleviate poverty and other social problems.
14. Land value based property taxes have been actively supported by farmers in other parts of the world.

Stated succinctly, shifting taxes off labor and productive capital and onto land value (land rent capture) will promote local sustainable agriculture in these ways:

1. Discourage speculation in land
2. Reduce the price of land to equate with its value for production
3. Enable new entrants to more easily obtain land
4. Limit farm sizes to those of the most productive units
5. Enable the reduction of taxation on earnings and capital
6. Reduce interest rates as land becomes more affordable
7. Prevent rural depopulation
8. Discourage urban sprawl on farm land
9. Encourage owner-occupation rather than absentee ownership
10. Promote more responsible use of land.<sup>42</sup>

Now more than ever before there is the need to optimize the use of land resources to meet the food, fiber, and livelihood needs of people in an environmentally sustainable way. Land value tax would result in more affordably priced rural lands that could become magnets for land reclamation and new sustainable farming for local food needs. This can lead to other efficiencies of scale.

For instance, mass transit among smaller population clusters would likely be much more energy efficient than individual travel into large urban centers. One hundred years ago scarcely populated areas of the United States enjoyed viable networks of trolleys and trains. Smaller, geographically dispersed communities, with their own scale-appropriate

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<sup>42</sup> Ibid.

production methods, have the potential for reducing the use of fossil energy and the associated emissions of greenhouse gases.

Land value tax based public finance in urban areas promotes infill development and curbs sprawl, lessening the cost for infrastructure and promoting the many benefits of “walkable” cities.

## GOING LOCAL VERSUS THE MILITARY INDUSTRIAL FINANCIAL COMPLEX

Leaders from peace, church, health care, education, and social service movements recently held a news conference in Augusta, Maine to call for cuts in war spending as a way to help Maine state government deal with its current fiscal crisis. The wars in Iraq and Afghanistan have already cost Maine taxpayers \$2.5 billion according to the National Priorities Project.<sup>43</sup>

During the news conference Lisa Savage, public school teacher and a leader in the new statewide coalition called *Bring Our War \$\$ Home*, had this to say:

If not for the money that has been wasted on the occupations of Iraq and Afghanistan we would not be in the fiscal crisis that we face today in Maine. We will bring people together from around the state who are willing to address the elephant in the middle of the room. Our spending on endless war is killing the national economy as more than 40 states are now in fiscal crisis. We are not going to be able to cut our way out of this mess, tax our way out, nor will we be able to ‘grow’ our way out of this. Unless we cut military spending immediately there will be no serious recovery and no real stabilization of our state budget.<sup>44</sup>

Such efforts swim upstream against the current of many federal politicians who want to decrease social support and service programs in order to maintain the high costs of militarization. The growing force of moral and ethical repulsion regarding the bloated US military budget must be factored into the formula for building local based economies. Millions of people now know that the main endeavor of the US military is to further US foreign policy of “full spectrum dominance” by gaining control of strategic locations, mineral and oil resources worldwide under the guise of fighting wars on drugs or terror or supporting “pro democracy” movements.<sup>45</sup>

Writers like Chalmers Johnson and others predict the implosion of the US federal government due to the combination of unsustainable levels of debt and extreme militarization. The question may well be how fast or how slowly this process will unfold. Building sustainable local economies may be our only remaining safety net.

A calculator and data embedded in the National Priorities Project website<sup>46</sup> provides the information needed to show the impact of converting federal defense dollars into building local sustainable economies. As an example, here are the calculations for

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
<sup>43</sup> [http://www.nationalpriorities.org/costofwar\\_home](http://www.nationalpriorities.org/costofwar_home)

<sup>44</sup> <http://www.bringourwardollarshome.org/>

<sup>45</sup> See Alanna Hartzok, Economics of War and Peace, here: <http://www.epsusa.org/events/eea2007papers/hartzokinro.html>

<sup>46</sup> <http://www.nationalpriorities.org>

Pennsylvania Congressional District 9. Taxpayers in this district (Shuster) will pay \$1.2 billion for Total Defense Spending in FY2010. For the same amount of money, the following could have been provided:

-  296,985 People with Health Care for One Year **OR**
-  26,356 Public Safety Officers for One year **OR**
-  18,320 Music and Arts Teachers for One Year **OR**
-  98,856 Scholarships for University Students for One Year **OR**
-  216,663 Students receiving Pell Grants of \$5550 **OR**
-  12,221 Affordable Housing Units **OR**
-  377,433 Children with Health Care for One Year **OR**
-  188,476 Head Start Places for Children for One Year **OR**
-  19,060 Elementary School Teachers for One Year **OR**
-  1,446,155 Homes with Renewable Electricity for One Year

With a population of 646,628 and a median income of \$34,910, each person in this congressional district pays \$1,855 for defense spending, or \$7,420 for a family of four. The NPP website also keeps a running tabulation of the costs of war. As of February 22, 2010, the total cost of U.S. wars since 2001 is well over \$963 billion.

## LAND

Land is life. Land value taxation systems of local public finance can, once fully implemented, result in affordable land by eliminating incentives for land speculation and profiteering. But land access for human habitat to meet basic human needs is now a matter of life and death for millions of people in the United States and more than a billion worldwide. Hear the plea of homeless people in Seattle, hometown of Bill Gates:

### The Declaration of a State of Emergency in 2010, by and for Homeless People in Seattle & King County

Four years into Seattle/King County's Ten Year Plan to End Homelessness, our numbers are at an all time high. Our shelters are overcrowded, noisy, at times infested with bed bugs, and often consist of little more than a mat on a floor. We have no place to store our possessions, and so must carry them with us. Pushed onto the street in the early morning hours, we are hidden from sight and forced to stay on the move. We are unwelcome in your public spaces, and are harassed by your police and private security when we stop to rest.

At least a third of us sleep outside, where we are subject to trespass and arrest. Our belongings are routinely stolen and destroyed by government workers who are "just doing their jobs." When we camp in cars, we are targeted for citations and our vehicles

are towed and impounded. When we come together to form safe, dignified communities, we are threatened with arrest and our supporters are bullied with threats and fines.

We die, on average, at 48 years of age. Nine of us have died by suicide this year.

We are the working poor who have been set up to fail. Our low wages, work insecurity, lack of healthcare, overcrowded and unaffordable housing, and unreliable transportation leave us vulnerable to economic disaster.

We are the expendable, the dehumanized, the written off, and the devalued. We are the sick, the disabled, the mentally ill, and the addicted. We are the too poor, too uneducated, too old, and too unemployable to matter. We are the human wreckage of a broken system that denies its responsibility and blames us for our existence.

IT SHOULDN'T BE LIKE THIS. Homeless people deserve and are entitled to the same protections as our housed brothers and sisters: a right to health and housing, freedom from violence and stereotyping, the ability to keep our families and loved ones together, and the tools to move ahead and thrive.

In 2010, worse will come. King County, at the close of this year, reduced human services funding by 46%. Youth shelter funding was eliminated. Food banks funding was slashed to zero at a time of record demand. The state budget crisis promises disaster. General Assistance for the Unemployable, the State Housing Trust Fund, drug treatment funding, and Basic Health Care are all to be eliminated.

OUR STATE OF EMERGENCY MUST BE RECOGNIZED. The Ten Year Plan to End Homelessness is a fraud. The true causes of homelessness – rent increases, gentrification, evictions, and the failure of the market to provide affordable housing – aren't dealt with, measured, or touched. For every unit of affordable housing produced under the plan, three to four have been lost to market forces.

Top leadership of the Plan has tokenized the participation of homeless people, and has fallen deaf to our pleas for safety, shelter, and community. The percentage of homeless people who are sheltered should be a plan benchmark.

We can no longer wait for the expanded survival services we need today while our "leaders" promise housing in the future.

HELP US TO SURVIVE AND SOLVE HOMELESSNESS:

1. EXPAND SURVIVAL SERVICES. Since the Ten Year Plan began, homelessness has grown while emergency shelter supply has held steady and funding for day centers has declined. Stop pretending and meet the need with clean, simple decent shelter.

2. SUPPORT SELF-HELP HOMELESS GROUPS (like SHARE). When we run our own shelters, we cost-effectively offer maximum dignity and community to residents. Stable city funding will help us built community-wide solutions to meet the growing need.

3. PROVIDE A PERMANENT SITE FOR NICKELSVILLE. We need a site big enough for a non-moving eco village of up to 1,000. There are over seventy sites in Seattle that will work and only one is needed.

4. COMPLETE THE HOMELESS REMEMBRANCE PROJECT to honor people who have died while homeless. The Tree of Life in Victor Steinbrueck Park and Leaves of Remembrance in sidewalks throughout the County will serve as reminders to us all that homeless lives have value.

5. STOP THE CRIMINALIZATION. Citations for trespass violations, panhandling, and sitting on sidewalks clog our courts and punish the poor with fines and jail time while denying us due process under law.

6. EXPAND TREATMENT. Drug and alcohol treatment services save lives and money. Punitive policies undermine public health goals and deepen the misery and isolation that often underlies addiction.

7. PROVIDE TRANSPORTATION. As downtown gentrification has pushed more services outside the free ride zone, access to bus transportation has become a barrier to overcoming homelessness. Homeless people should receive free bus passes.

8. SUPPORT AFFORDABLE HOUSING. Strategies to cost-effectively increase supply must be prioritized over big-ticket infrastructure projects and sports arenas. Encourage market solutions that don't let excellent get in the way of good. We need housing. Now.

Note number three above, the plea of these homeless people for land in order to establish an ecovillage. The right to land is the most fundamental of all economic human rights, because from land people can grow plants for food, shelter and clothing. Democratic governance has not established this human right to land as a birthright.

To gain access to land it must be purchased and in order to purchase land a person needs to be employed in the cash economy or to have inherited wealth. The important story of the origins of the "custom" of land acquisition via cash payment has been told elsewhere.<sup>47</sup> Let us simply note that wages are kept as low as possible and profits for the few owners of land, capital and financial instruments as high as possible when people have no direct access to land. Direct land access for the unemployed and poor will secure self-reliant livelihoods while boosting wages for all workers because there will be an alternative to wage slavery.

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<sup>4747</sup> Alanna Hartzok, Democracy, Earth Rights and the Next Economy, (E.F.Schumacher Lecture, 2001)  
<http://www.earthrights.net/docs/schumacher.html>

Permaculture systems design and ecological villages have been firmly established worldwide and they are showing a beautiful new way of living on earth. Little known is the tremendous success of Russia's grants of free rural land for families. This has given millions of people in that country food and housing security.

Russia's dacha cooperatives sometimes comprise 300 families or more. Each cooperative is managed by one or two people who simply carry out the will of the majority. Russia does not have any centralized management system for its dacha movement. However, according to data published by Goskomstat (the State Statistics Committee), in 2004 Russian gardening families grew 93% of potatoes, 80% of vegetables, and 81% of fruits and berries of the country.

Russian gardeners now produce more products than the whole commercial agricultural apparatus all told. In 2004 the value of the Russian gardener's production represented 51% of the country's total agricultural output. The contribution of dachniks and rural family growers to the Russian economy exceeds that of any of the following industries: steel; electric power generation; chemical and pharmaceutical; forestry, timber, pulp and paper; building materials; or oil refining, natural gas and coal industries taken together.<sup>48</sup>

There is underutilized land in nearly every country that could be opened for ecovillage living. Launching movements for land value taxation and direct land access simultaneously may be the most effective way to build "the next economy" on the fundamental truth that the earth belongs to everyone.

## INTERLOCALISM

Interlocalism is the process and methodology of helping communities worldwide move toward local self-reliance via networks of information sharing, mutual learning and support. The Business Alliance for Local Living Economies<sup>49</sup> is one such network. It is an international alliance of more than 50 independently operated local business networks dedicated to building local living economies. A living economy is defined as one in which economic power resides locally, for the purpose of sustaining healthy community life and natural life as well as long-term economic viability. There is no shortage of programs to guide development of sustainable local economies. The challenge is to convince people of the advantage and necessity of investing their time, energy, and money locally.

Here is how Shuman envisions the possibilities of interlocalism:

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<sup>48</sup> Vladimir Megre, *Who Are We?*, Ringing Cedars Press, Kahului, HI 2006, 21.

<sup>49</sup> <http://www.livingeconomies.org/>

A global bloc of socially responsible communities, cemented through fair trade and institutionalized with dues from member cities, would help resolve many of the remaining challenges of going local... even as small community corporations serve local needs, larger community corporations or networks of community corporations will continue to produce and deliver complex goods, such as computers and airplanes, that communities cannot efficiently produce themselves... If we create even a small number of self-reliant communities in which every resident has a decent job that produces basic necessities for one and all, other communities will visit, learn, and follow. We have far more power than we realize.<sup>50</sup>

The way ahead is bright and demands boldness. Let's get on with it!



Resources for next steps:



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<sup>50</sup> Shuman, op.cit. 200-201.

To express your solidarity and support for the homeless people of Seattle you may contact the organizations that composed and signed The Declaration of a State of Emergency in 2010, by and for Homeless People in Seattle & King County:

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REAL CHANGE is Seattle's 15-year-old Street Newspaper and a cross-class Organizing Project to unite people in working for social justice. 2129 2nd Ave, Seattle, WA 98121  
Web: [realchangenews.org](http://realchangenews.org) Email: [organizer@realchangenews.org](mailto:organizer@realchangenews.org)

WHEEL (Women's Housing, Equality and Enhancement League) is an organizing effort of homeless and formerly homeless women.  
P.O. Box 2548, Seattle WA 98118-0334  
Web: [sharewheel.org](http://sharewheel.org) Email: [wheelorg@yahoo.com](mailto:wheelorg@yahoo.com)  
Homeless remembrance project [www.homelessproject.org](http://www.homelessproject.org)

SHARE (Seattle Housing and Resource Effort) is an organization of homeless and formerly homeless men and women working together to survive and solve homelessness. P.O. Box 2548, Seattle WA 98118 (206) 448-7889  
Web: [www.sharewheel.org](http://www.sharewheel.org)

NICKELSVILLE is presently a small organized encampment seeking to become an eco-village of up to 1,000 homeless men, women and families located on a permanent site with services. (206) 450-9136 (206) 450-9136  
Web [Nickelsvilleseattle.org](http://Nickelsvilleseattle.org) Email: [Scott@nickelsvilleseattle.org](mailto:Scott@nickelsvilleseattle.org)

To enroll in Earth Rights Institute's online course on Land Value Capture:  
<http://www.course.earthrights.net/> People from 60 countries are now enrolled. Course graduates can partner with ERI to development land value tax implementation projects in their locality.

Articles on land value tax: <http://www.earthrights.net>

Global Ecovillage Network: <http://gen.ecovillage.org>

Earth Rights Ecovillage Institute in Africa: <http://www.earthrightsecovillageinstitute.org>

For more on the transformation underway in Russia learn about and order Ringing Cedars Press books at: <http://www.ringingcedars.com/>

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