The Social Shareholder Model

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Table of Contents

Abstract: The Social Shareholder Model is a synthesis of two powerful policies: land value taxation and citizen dividends. This paper introduces an integrated framework using these concepts that, when combined, has the potential to increase both the attractiveness of adoption and the impact of implementation of each. A land value tax is the ideal public financing mechanism to fund a citizen dividend, which in turn may be the essential component needed to advance a land value tax. In this sense, each policy not only addresses common objections to the other, but when presented together, offers a dynamic solution to many socioeconomic challenges.

Introduction

> *"Stakes and taxes are two sides of the same social justice coin, both being essential to implementing the claimed underlying resource entitlement."*
> —Dowding, De Wispelaere, and White, *The Ethics of Stakeholding*

One of the biggest challenges facing proposals such as basic income or basic capital is what approach should be used to finance the program. There are many innovative fiscal and monetary approaches to this challenge; this paper will focus on the use of taxes as a financing method. Which tax is the most efficient? Which tax is the most equitable? Basic income and capital advocates generally fall into two camps: those who believe that the source of funding is of lesser or no consequence, and those that think it matters enough for careful consideration (Dowding, Wispelaere, & White 10).

Another challenge involves designing an effective way to distribute the money collected. Who should be eligible? When and how should payments be made? Basic income and capital approaches to this challenge are as diverse as the proposals to finance the program. Many of these concepts discuss philosophical issues with the question of distribution, such as conditionality and paternalism, but the need for developing detailed models designed for the real world remains.

In this paper I will argue that the most efficient and equitable source of public finance for a basic income or capital program is the land value tax, which operates on societal and natural assets. To allocate these common assets among all people with a claim on the resources, I will then argue that a citizens' dividend offers the most proven distribution system. Together, these two policies have the potential of forming the most effective means of collecting and distributing common assets.

Principles of a Land Value Tax

The land value tax is a form of public finance that functions similarly to the traditional real estate tax as administered today.[1] The real estate tax is levied as an annual portion of the government assessed total value of real estate, which includes land, as in the raw ground (or lot), and improvements to land, such as buildings, grading, drainage, landscaping, and other investments in the original condition of the property. A land value tax, in contrast, is levied exclusively (or more

1 There are other forms of the land value tax that operate on land in the broader economic sense of land as all natural resources from sea, soil, and sky, as well as socially-derived privileges. For the purpose of this paper, we will restrict the concept to locational values as one example, with the opportunity for a broadened consideration in the future.

heavily, during a transitional phase) on the land portion of real estate's assessed value.

The assessed value of real estate is normally based on the full (or a fractional) amount of its combined market value for the building and land. For a building's value, assessors normally consider its potential selling price if placed in the market, generally determined by comparing the structure to either similar properties that have recently sold or the cost necessary to rebuild it. The land's value also represents its selling price as well, taking into consideration the size, natural condition, and, most importantly, location of the land in proximity to desirable features surrounding it, such as schools, parks, roads, transit, and other important amenities.

As an example of how these two taxes function, consider a residential property including an $80,000 house and a $20,000 lot, for a combined worth of $100,000. Under the traditional property tax, the tax rate would apply equally to the building and land components of the property, such that a rate of 3% would be applied to both the $80,000 building value and the $20,000 land value for a yield of $3,000. Under a land value tax, the land would be taxed exclusive of the building value (or at a higher rate during a transitional phase). In this case a higher rate, perhaps 8%, would be applied to the land value of all properties to yield the same total revenue as before when both land and buildings were taxed.[2]

The main quality that makes a land value tax both a better scheme than the traditional property tax and other taxes for public finance and the ideal financing method for a basic income or capital fund is the nature of land value. Land value is the capitalized form of what classical economists called rent: a socially created surplus of the use of land left over after returns to labor (as wages) and capital (as interest). Rent is essentially a positive externality from the aggregate activity and investment of society in general that gets absorbed into the value of land. Dividing the economy into its three factors of production, land, labor, and capital, demonstrates the distinct quality of land and rent. A worker earns their wages through their labor, and an investor earns their interest as a return on their capital, but a landowner does not "earn" their rent from the use of their land, as land's productivity has little to do with the landowner's effort.

Although some of it may be identified as privately generated, no individual can accurately or effectively account for and claim their contribution to land's value. The proprietor of a business may generate some location value through the existence of her store, but can only charge people for

2 In this case, the yield from each property will change, with properties featuring high building to land ratios such the one above (5:1) paying less, and properties with low building to land ratios, such as similar land worth $20,000 with a dilapidated structure valued at $40,000 (2:1) paying more. Overall, however, the same total revenue would be collected for the jurisdiction.

direct provision of goods and services, not simply the privilege of being in proximity. In total, however, it is generally accepted that nearly all land value is publicly established through government services and infrastructure. Remove roads, water/sewage lines, police and fire protection, schools, and other public goods and services, and land will have little location value left. With these public amenities in place, the demand for access to these locations from people for the purposes of living, working, and recreation further drive up the land's value.

Because land value is socially created through government activity and population growth as a form of "common wealth," there is a strong argument that it should be reclaimed as a fund for further public use. The same cannot be said for wages or interest, where the individual efforts of labor and investment of capital are responsible for the respective returns, not society in general. This characteristic of land provides a natural role as the primary source of public finance and, as this paper will propose below, distribute the surplus revenue back to the population as a per-capita payment.

Such potential is closely related to another distinctive quality of land value: it can be taxed at its full revenue-bearing capacity with no negative impact on the economy. This, too, cannot be claimed on wages or interest, as any tax on labor and capital creates a drag on such productive activity that economists call dead weight loss. A jurisdiction with heavy taxes on jobs and businesses—things all communities want—will drive existing ones out and deter potential ones from coming in, while the same level of taxation on land values applies the added burden to a fixed tax base that cannot relocate or shift the burden elsewhere.

These two properties of land value, its social origins and economic efficiency, provide a solid foundation for land as a tax base under any public finance system. But there are additional qualities of land value taxation that provide more specific advantages over the most popular funding sources for basic income or capital: income and inheritance taxes.

Income taxes are often proposed as a way to fund basic income programs by generally utilizing one of two approaches. The first approach is to maintain the current tax structure and change the allocation of revenue away from existing transfer payment programs and into a basic income fund. The second approach, often proposed if additional revenue is need, is to modify the income tax rate by making it either more broad across all income levels or increasing it upon higher income levels. Examples of the justification for and implementation of these approaches can be found throughout many key volumes of basic income literature (Parijs, Cohen, & Rogers; Clark; Ackerman, Alstott, & Parijs; Raventos).

To advocates of both approaches, funding a basic income with income taxes makes perfect sense, since closing the income gap by redistributing income more equitably seems like a directly congruent solution. However, significant ethical and technical problems persist with the use of the income tax. Ethically, there is a strong argument that one should have a right to their full income as a result of their efforts. The idea of a basic income is already opposed on the grounds of being a disincentive to work, so funding it through a tax on those who do work further reinforces this opposition. Some would argue that not all income is earned, but the income tax today specifically targets earned income. Technically, the income tax is plagued by high administrative costs and avoidance levels. Significant amounts of income are unreported and sheltered, generally by those in the highest income brackets that a basic income depends on to fund the program. This reduces any progressivity by shifting more of the burden to those unable to avoid the tax, increases the cost of enforcement, and decreases the revenue collected. Income taxes in the form of payroll or wage taxes make the problem even worse by significantly reducing wage levels and increasing unemployment levels.

Inheritance taxes are another common financing option, perhaps most popular with basic capital proposals. Wealth is widely believed to be more concentrated than income, and many basic capital advocates argue that those with wealth at the end of their lives should return it to society so that those beginning their lives may have some wealth to start with. This can be done through an inheritance tax on the wealth passed on as part of an estate after a person's death. One of the most comprehensive treatments of this approach is *The Stakeholder Society* by Bruce Ackerman and Anne Alstott.

An inheritance tax has the advantage over income taxes in terms of ethical justification and technical administration. An ethical argument for taxing wealth gifted to another after a person has died has more advantages than taxing someone who has worked for their wealth and needs it for living. From a technical perspective, it is easier to administrate inheritance transfers in lump sum payments for those that have died rather than constant transactions of income payments between everyone alive. However, these comparative advantages over income do not outweigh the inheritance tax's flaws as a funding source. First, inheritance taxes ignore the distortions in the distribution of wealth that lead to such concentrations to begin with. How are some people able to accumulate enough wealth to outlast their own lives, while others live out their lives without accumulating any wealth of their own? Second, inheritance taxes ignore the different origins of wealth, and tax each indiscriminately. Are there some forms of wealth with a better justification for being taxed than others?

A land value tax performs better than income or inheritance taxes on both ethical and technical grounds. Its advantages in equity and efficiency strengthen the case for basic income or capital proposals in ways that other tax structures cannot.

As mentioned above, income can come from both earned and unearned sources, just as wealth can accumulate in both ways. If justice is an objective of basic income or capital programs, we should find a way to separate what is rightfully earned through effort and what is not, protecting the effort of the individual while reclaiming illegitimate gains from society. This leaves the terms income and wealth ambiguous in isolating their origins. Classical economic theory provides a solution.[3]

Wealth is the "output" of society's productive efforts, and includes all matter of material progress, typically measured as the gross domestic product (GDP). Productive effort is carried out through the three factors of production: land, labor, and capital. Land is the material universe outside of human beings, available to all of us and created by none of us. Labor is human effort, both physically and mentally, directed in the creation of wealth. Capital is the intermediary result of labor applied to land for the purpose of creating wealth, such as tools and inventories. Like the biological categorization of animal, plant, and mineral, each are mutually exclusive of the others.

Each factor receives payment as compensation for their use in production: land receives rent, labor receives wages, and capital receives interest. Of these three, only labor and capital earn their returns, with wages the result of human exertion and interest the result of investment and thrift. The rent paid to owners of land is not earned because land's existence and worth is no result of the owner, but is instead because of natural and society forces. In this way, "income" can come from any combination of rent, wages, and interest, and "wealth" is then simply the accumulation of real goods and services from available income. A land value tax, then, can be seen as a tax on the unearned portions of income or wealth.[4]

Ethically, a land value tax has a superior justification in that it preserves the rightful returns to labor and capital while reclaiming rent for public use. This liberation of productive enterprise actually provides added incentives to work, save, and invest by discouraging speculation in land, driving investments back into capital, and freeing more land and capital for the application of labor,

3 A comprehensive treatment of the following concepts can be found in *Progress and Poverty*, by Henry George.

4 Society tends to view unearned income from two interesting perspectives. Unearned income that is claimed by the poor, such as through welfare and other entitlement programs, is shunned. Unearned income gained by the rich through rent-seeking and other privileges, however, is respected.

which raises wages and creates jobs (Foldvary). All this leaves the burden on those with the highest concentration of land, which given land's unique role, generally translates to those normally viewed as having the most income or accumulation of wealth. Much of the high levels of personal and corporate income actually come from rent, and most wealth passed on as estates are appreciated titles to land.

Technically, a land value tax is easier to administrate than income or inheritance taxes. Income tax evasion occurs in many ways, from un- or underreporting the income by handling transactions "off the books" or "under the table" to utilizing off-shore tax shelters, while inheritance taxes, too, can be avoided through professional "tax planning" and trust schemes. In contrast, land is not only inelastic in supply, but immobile in location, visible in plain sight, and cannot be depreciated away. Modern technology makes inventorying, valuing, and billing land easier than ever before, especially if done exclusively of buildings or other improvements. And if owners refuse to pay their taxes on the land, the government can easily apply liens to or sell the land to make payment.

Beyond aligning well with the financing requirements of a basic income or capital agenda, land value taxation strikes at the root problem that an egalitarian basic income or basic capital program seeks to correct: a rapidly growing gap in both the areas of economic opportunity (poverty) and social equality (democracy). Taxation alone cannot solve these complex challenges, but the right approach to public finance can advance other vital reforms such as basic income or capital further along towards their goals than otherwise possible.

Land value taxation has a rich legacy of being recognized and utilized as an essential policy to eradicate poverty in both developed and developing countries. It is the answer to both the questions "how, in some of the richest nations of the world, can there be such large populations of the poor unable to share the existing wealth?" and "how, in many of the poorest nations in the world, can there exist such large concentrations of natural resources able to build real wealth?" The most recognized treatise on this subject was the book *Progress and Poverty*, written in 1879 by America's most historically popular economist, Henry George, and endorsed by some of the most brilliant thinkers and leaders since his time, including Albert Einstein, Winston Churchill, Leo Tolstoy, and Martin Luther King. The effort to educate about and advocate for land value taxation as an anti-poverty policy continues to this day, with books such as *Land and Taxation* edited by Nicolaus Tideman and *The Silver Bullet* by Fred Harrison showing the way forward.

Each book follows the same theory: the root of poverty is the private appropriation of the social surplus value of land. In developed countries featuring stable governments, modern infrastructure, advanced technology, and open markets, landowners can absorb—through rent—a significant portion of the produced wealth that is a result of the economic activity on and around their land. This drives up the cost of living and enterprise through higher land prices, and applies further pressure on productive activity by forcing taxes onto labor and capital instead of the land. In developing countries the impact is more direct: countries rich in natural resources such as minerals and timber are denied compensation for the extraction of these materials—often by foreign entities—and their people are forced off land sufficient enough to sustain life and into low wage employment, often for the same firms in control of the resources being exploited. A land value tax corrects the injustices in both cases by providing the people greater access to resources to use for themselves as well as compensation from use by others, lifting them from the burden of taxation in the process.

Land value taxation is also an essential tool to level the playing field in democratic processes. Many reformers talk of the need to take money out of politics, pointing out its unfair influence both in determining elections and developing legislation. Most lobbying activity is not to advance a specific social or ethical agenda; it is to make money. This practice has become known over the last 40 years as rent seeking: the use of government authority through laws, regulations, loopholes, and other means in order to maintain monopoly privilege over markets that could not exist otherwise.

Land plays a central role in this problem. Winston Churchill described it best, explaining that "[l]and monopoly is not the only monopoly, but it is by far the greatest of monopolies—it is a perpetual monopoly, and it is the mother of all other forms of monopoly" ("Winston Churchill on Land Monopoly"). Landowners as a class have always maintained strong influence over, if not full control of, the political process. Most extreme concentrations of wealth come not from the superior skill of the individual or quality product of the the corporation, but through the monopolistic privilege such individuals or corporations enjoy over real and intellectual property rights. Significant portions of these monopoly profits are then circulated back into the political process in an effort to secure such privileges during upcoming elections and the passage of laws.

A land value tax works to literally take this surplus money off the table, returning it to the society that is responsible for and benefits from its common wealth. As a result, the focus of politics can return to the development and maintenance of transparent institutions accountable to the people and laws and regulations crafted to truly serve the public interest. For an excellent treatment of the history of land concentration, the problems of privilege in land (and related monopolies), and the potential of society restructured around the principles of land value taxation, see *Philosophy for a Fair Society* by Michael Hudson, G. J. Miller, and Kris Feder, as well as *Economic Democracy: The Struggle of the 21st Century* by J. W. Smith.

Principles of a Citizens' Dividend

Basic income and capital programs are often referred to as "stakeholder" programs (Ackerman, Alstott, & Parijs; White & Maxwell; Dowding, Wispelaere, & White; Ackerman & Alstott). To many advocates, stakes means "assets or income streams [...] in the economic system, enabling individuals to participate in the economy and enjoy its rewards on a more secure and equitable basis than they otherwise would" (Dowding, Wispelaere, & White 3). In considering their form, "stakes might take the form of a basic capital grant, received by all citizens on maturity, or they might be a periodic income paid to each citizen as of right without any test of means or willingness to work (a basic income or citizen's income) (Dowding, Wispelaere, & White 3).

In a broad sense, such descriptions make sense. If there is a class of assets commonly owned, then each person involved should have a stake in how the assets are managed and used. If the value of these assets are to be shared among those with a stake, a lump sum or periodic payment are logical options. Yet once the discussion moves toward implementation, difficult questions emerge. If the assets derive their value mainly from the investment and activity in a specific jurisdiction—which they often do, everyone who lives, works, or visits the jurisdiction have a stake in the assets, but should they all have a right to maintain control over and received compensation from the use of these assets? If the assets have appreciable value—again, which they often do, should payments still remain a single lump sum or should they continue periodically as long as each individual is involved? Judged by its definition, the concept of a stakeholder cannot sufficiently answer these questions when one looks to design a system that performs the relevant functions of administrating and allocating public assets. A more effective model can instead be found in the concept of a shareholder.

Private corporations are a clear example of the shareholder model at work. In a private corporation, a group of people join together in a body defined by a specific organizational purpose. Pooling their assets, they engage in some kind of productive economic activity that benefits each individual and the body overall. Major decisions are made through an elected board representative of the corporation's shareholders, with votes allocated in proportion to each owner's amount of shares in the organization. Successful activity results in an increase of assets that can be reinvested into the corporation or distributed back to the owners as dividends. Like votes, these earnings are distributed to each shareholder in proportion to their level of ownership.

Public corporate structures also exist that follow the shareholder model. Like a private corporation, a public corporation would be composed of a group of people joining together, pooling their assets, producing wealth, making decisions, reinvesting in the corporation, and returning surplus to their members. The major differences involve the allocation of shares, which translate to votes and dividend amounts. A truly public corporation managing public assets should ensure an egalitarian structure that preserves democratic equality, as the concentration of ownership and power would quickly destabilize such an organization.

At their core, each approach depends on surplus revenues. This money generally comes from one of two sources: money left over after general expenditures or investment returns from a trust fund. From this surplus, per-capita payments are then made to each person associated with the program at regular intervals, often annually. Efficiency, transparency, and accountability are also important components throughout this process. Efficiency through fiscal responsibility keeps overhead costs low and maximizes dividend payouts. Transparency through regular standardized reporting demonstrates the program's performance and indicates risks and opportunities. Accountability comes from shareholder oversight of the program's administration.

Unlike the stakeholder model, the shareholder model provides a very clear structure on asset ownership, management, and allocation. While many individuals have a stake in the corporation, only those with a clear share have control of and claim to the assets managed by the corporation. The most established form of a public corporation, which is almost by definition designed for the administration and allocation of public assets, and the one we'll concentrate on for this paper, is a governmental body. Governments are incorporated through the pooling of common assets—primarily land and other natural resource contained in the jurisdiction—and ownership is held by the citizens of that jurisdiction, which is reflected by their voting power. Because most public assets are managed by governments and owned by the people of that jurisdiction, any program designed to allocate the value of the assets should align with the structure of the shareholder model. The most established and compatible proposal that does is the citizen's dividend.

When compared to other proposals, a citizen's dividend is very similar to the basic income scheme. Both seek to provide a equitable, non-wage income for all citizens. What is specific to this approach, however, is the lack of a fixed floor or ceiling on the amount of money distributed in an effort to provide a subsistence level income. Instead of simply relying on a predetermined and often fixed amount of income established through the political will of lawmakers, a citizens dividend is essentially market-based. Dividend payments depend on the allocation or performance of the assets that fund them; they could be higher one year and lower the next year. Basic capital approaches, on the other hand, do not fit the shareholder model as easily, since assets continue to provide value to each shareholder and align better as a stream of payouts instead of a lump sum stock. Because of this, we will focus on the citizen's dividend as a form of basic income.

A citizen's dividend provides several potential advantages over other basic income proposals. Most of these proposals take a national approach requiring complex modifications of major programs of taxation and welfare, which doesn't seem feasible in the U.S. for any "radical" reform—even if phased in. A citizens dividend can be introduced on smaller scales, such as in a state or even a city, where it can be researched and refined. Additionally, in a similar way that land value taxation shifts existing public finance needs from inefficient and inequitable sources onto a better tax base, a citizens dividend can gradually shift social welfare needs from inefficient and ineffective programs onto a universal and simplified distribution system.

Perhaps the most popular citizen's dividend program is the Alaska Permanent Fund Dividend.[5] In 1977, the Alaska Permanent Fund was designed to save and invest Alaska's revenue surplus from leases of its North Slope oil fields, partly to protect the surplus from wasteful government spending and also in recognition that the finite supply of oil would not last forever. (Goldsmith 549). In 1980, the Alaska Permanent Fund Dividend was established to distribute per-capita payments to each resident—regardless of age, with no means test other than an annual registration with the state's Permanent Fund Dividend Division (Goldsmith 552). In the year following the initial $1,000 payment paid out of the general fund, the first real dividend out of the fund amounted to $386; in 2008, that amount has increased to $3,269 (Goldsmith 552; "2008 Dividend Calculation Per Dividend Information"). The Alaska Permanent Fund Dividend's success has laid the groundwork for similar efforts: it has already survived constitutional and other legal tests, has successfully operated for almost three decades, offers a proven administrative model, and has maintained broad public and political support.

Yet although the Alaska Permanent Fund Dividend remains a pioneering program in the implementation of large-scale basic income schemes, several issues must be addressed before

5 https://www.pfd.state.ak.us

adopting it as a general model. The state collects oil revenues on the basis that these minerals are the rightful property of the state, as detailed in the state constitution ("The Constitution of the State of Alaska, Article 8--Natural Resources"). However, there are many more natural resources from the state's air, land, and water sources whose use is not compensated to society or included in the Permanent Fund. This creates two significant problems that could challenge the long term viability of the program and its application elsewhere.

First, it reduces the revenue contributed to and the surplus generated from the Permanent Fund and thus lowers the potential dividends for state residents. This results in a lower capacity for the dividend to meet the goals of basic income such as income security and personal autonomy. It also allows these resources to be used in ways that continue to concentrate wealth through rent seeking activity.

Second, it forces Alaskan government to remain dependent on taxes and a significant amount of federal subsidization. Although mineral leases and resulting investment income account for a major portion of the general fund, taxes and federal assistance still make up about 26% of revenues (*Revenue Sources Book* 3). Ten percent of this revenue comes from taxes, licenses, and fees levied on a wide range of economic activity, including corporate income, trades, sales and use, gambling, excise, and estates (*Revenue Sources Book* 8). The remaining 16% comes from $2 Billion of federal appropriations, yielding nearly $14 thousand per person—almost double the national average—creating the highest per-capita federal spending of any state according to 2005 data (*Revenue Sources Book* 69). This last point is especially contentious in the face of Ted Stevens, former Senator and chair of the Senate Appropriations Committee, who became notorious for his reputation in pork barrel projects such as the "Bridges to Nowhere" and was ultimately indicted on corruption charges (Connelly).

Addressing these issues along with common obstacles to basic income in general would significantly advance shareholder models and citizen's dividends as one of the most effective approaches for administering and allocating public assets.

Exploring the Potential of Integration

The Social Shareholder Model is an attempt to further formalize the integration of land value taxation and citizens' dividend policies, an idea that has existed in various forms for ages. One of the earliest proposals was developed by Thomas Paine in his *Agrarian Justice* (1797), in which he called for the collection of ground rent as a payment for use of the land and compensation to other members of society (John Marangos 316). Ever since then many modern adaptations have been presented or implemented that follow the same approach, including the Alaska Permanent Fund Dividend and the Cap and Dividend climate protection plan.[6] In this section I will attempt to build on this body of work by further synthesizing the concept, exploring ways an integration could increase the interest in and improve the implementation of both the "tax" and "share" sides of the model.

A land value tax clearly benefits the adoption of a citizens' dividend by providing a first-class source of funding for the program, addressing perhaps the the biggest challenge to adoption. Yet beyond financing, basic income proposals—including a citizen's dividend—face other important dilemmas, all of which can be addressed through the utilization of a land value tax. This includes the issues of reciprocity/participation/parasitism and universality/conditionality.

Like almost any basic income proposal, citizens' dividend programs are often criticized for being "something for nothing." Out of this issue has developed the debate over the hypothetical scenario of "lazy" versus "crazy," where some people might choose to allocate their work-leisure time differently than under normal circumstances, potentially reducing optimal economic output. (Parijs, Cohen, & Rogers). A more extreme objection against a universal basic income scheme that provides equal shares of external assets is that it will not only discourage productive effort, but that by design some portion of society will become parasitic, simply benefiting off of the efforts of productive members (Donselaar; Raventos 179-182). One common response is that such income should then have a form of participation beforehand or reciprocation afterwards as an obligation towards eligibility of a dividend. To address this, some advocates have recommended complex (and perhaps costly) administrative methods to ensure people contribute to society in exchange for a dividend (White, *The Civic Minimum*).

Another major debate is over the universality of basic income proposals. The question is whether everyone should get an equal share in the value of public assets, regardless of one's current economic status (Dowding, Wispelaere, & White 21). Wouldn't each share go further if given to only the most in need for the highest amount? Such concerns have lead some advocates to push for more targeted programs, either based on a means test (Goodin 3) or time-limited conditionality (White, "Freedom, Reciprocity, and the Citizen's Stake" 90).

A land value tax can effectively address both concerns. As mentioned above, two major sources impact land values: (1) government investments in infrastructure and services and (2)

6 http://www.capanddividend.org

population growth. Under the shareholder model, the government should first capture the value created by these sources and use the revenue as necessary to maintain the infrastructure and services, and second, redistribute the remaining surplus back to each person as a per-capita dividend. The justification for this per-capita dividend is the fact that because each person contributes to land values simply by being part of the local population, each has a natural right to share in that value. This surplus value also reflects the non-wage activity such as parenting, personal development, artistic activity, cultural participation, and civic engagement are often undervalued in their contributions to the economy. This qualifies everyone in a society—young or old, rich or poor—to a equal share in the surplus, without the need for complicated civic accountability. Additionally, because land has an annual value, it can be shared indefinitely as long as demand for its use remains, so no time limit would be necessary for the dividend.

Critics concerned about a citizens' dividend discouraging work and encouraging parasitic dependencies should instead concentrate on reforming the current system of public finance instead of resisting a basic income. Already existing within our socioeconomic structures are forms of privilege and monopoly that are incredibly parasitic due to the opportunities for rent-seeking activity. Until these structures are reformed through the collection of economic rent, basic income will not eliminate poverty and inequality. Indeed, much of the added spending power of a basic income would be absorbed by higher rents, causing a counterproductive reallocation and further concentration of wealth.

For all its benefits as a tax, however, land value taxation suffers from a number of objections that restrict broad adoption and implementation of this essential reform. By integrating the tax with a citizens' dividend that distributes the surplus, the idea can be advanced in three important aspects: increased support, accurate assessments, and expanded collection.

One of the biggest challenges for land value taxation is building a broad base of public support. Tax policy is not an interesting subject for most people, and those involved in the debate are often directly impacted through the changes. By instituting a land value tax designed to distribute the surplus revenue, an increased level of "enlightened self-interest" could help attract a wider range of support from groups that often do not see the reform as having a personal benefit. This is especially true among the poor; research shows that homeowners are the most active politically and often vote directly with the interest of their real estate value, while the poor generally do not own property and thus are less likely to vote. Land value taxation is often objected to by the argument over hypothetical "cash poor, land rich" widows that would lose their home (regardless of the absence of such critic's evidence that such hardships exist), while ignoring the well-researched silent majority of "cash poor, land poor" without homes or the benefits they provide already. By demonstrating to the poor their rightful claim to a share of the economic rent, a large bloc of voters might emerge demanding candidates that will represent their newly realized interests.

With broader support, the public would pay closer attention to the issue of land valuation. Critics of land value taxation often point to poor or out-of-date assessments as a reason to delay or decline adoption of the reform. People that own real estate have a vested interest in avoiding accurate and annual revaluations of their land, as it would begin capturing the appreciation that leads to capitalization into higher selling prices. Because of this, there is tremendous political pressure not to perform revaluations, which often force governments to look elsewhere for revenue or sacrifice essential services. With a citizens' dividend in place, that increase in surplus revenue would be returned in larger dividends, so maintaining regular revaluations would be a high priority for all stakeholders, not just owners of real estate. With regular revaluations in place, the land value tax would perform optimally.

A final possibility involving the integration of land value taxation and citizens' dividends would involve expanding the collection of rent. Knowing that only the budget surplus will be divided and distributed per-capita as dividends, more resident shareholders will demand fiscal constraint, leading to leaner government spending. This would be an excellent time to advocate for the elimination of many forms of subsidies, corporate welfare, and cronyism that waste tax dollars, thus reducing dividends. Residents (and as a result, lawmakers) will also be more keen on preventing poor policies that will lower land rents, conversely using the Henry George theorem (Robinson) to establish policies that increase land values in ways homeowners do within the Tiebout model (Fischel). This will create a new form of "ownership society" guided by the interests of many classes of people instead of a few. With inevitably increasing operating costs (especially in infrastructure), government will be forced to look for additional revenue streams. Collecting more types and higher percentages of land rents (congestion charges, parking fees, pollution taxes, etc.) will become necessary to both increase revenues and maintain dividends.

Conclusion

This paper introduced the concept of integrating land value taxation along with a citizens' dividend as an optimal set of policies to collect and distribute the value from public assets. Besides being an excellent method to finance infrastructure and public services, the land value tax should become a first-class funding source for basic income programs, and of the basic income approaches, a citizens' dividend offers the most effective model to operate within the shareholder structure of governments. When combined, each policy can reinforce the other by advancing adoption and improving implementation. The potential synergies discussed offer only a subset of the full dynamics involved in integrating land value taxation and citizens' dividends, and further work on exploring the many dimensions of such a combination seems essential.

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Under the shareholder model, companies also tend to weaken or privatize social protection, yet there are few constraints on CEO pay, which leads to the wage inequality for which the US is now notorious. Indeed, directors and boards (and, needless to say, employees) have little oversight on management.Â Germany subscribes to the stakeholder model, in which anyone who influences the company (from investors to customers) are considered stakeholders. In this model, ownership is more concentrated â€" usually owned by â€˜insidersâ€™ such as the state, families, other firms, and banks. Banks are very important in this model because they have large equity stakes in the companies in which they invest. A shareholder can be a person, company, or organization that holds stock(s) in a given company. A shareholder must own a minimum of one share in a companyâ€™s stock or mutual fund to make them a partial owner.Â What is a Shareholder? A shareholder can be a person, company, or organizationTypes of OrganizationsThis article on the different types of organizations explores the various categories that organizational structures can fall into. Organizational structures that holds stock(s) in a given company. A shareholder must own a minimum of one share in a companyâ€™s stock or mutual fund to make them a partial owner. Shareholders typically receive declared dividendsDividendA dividend is a share of profits and retained earnings that a company pays out to its shareholders. 13 In summary, the shareholder model of corporate governance proposes an attractive framework for explaining the emergence of efficient organisational forms, the behaviour of owners and managers of listed companies and more generally the way of resolving potential conflicts in situations of cooperation. It legitimises the vision of a company belonging exclusively to its shareholders, without any other consideration.Â 15 In the stakeholder model of corporate governance, the company is a social construction, a container of expectations, objectives and interests of multiple stakeholders. Shareholder value is a business term, sometimes phrased as shareholder value maximization or as the shareholder value model, which implies that the ultimate measure of a company's success is the extent to which it enriches shareholders. It became prominent during the 1980s and 1990s along with the management principle value-based management or "managing for value". The term "shareholder value" can be used to refer to: The market capitalization of a company; Shareholders include equity shareholders and preference shareholders in company. Stakeholders can include everything from shareholders, creditors and debenture holders to employees, customers, suppliers, government, etc.Â It doesnâ€™t necessarily exclude charitable works, either. However, social responsibility is structured into the stakeholder theory, but the benefits must also meet the corporationâ€™s bottom line. Therefore, the best theory for you and your company or project is dependent on what your main interests are. But itâ€™s most likely that youâ€™ll proceed with a hybrid, as both theories serve different aspects of business.