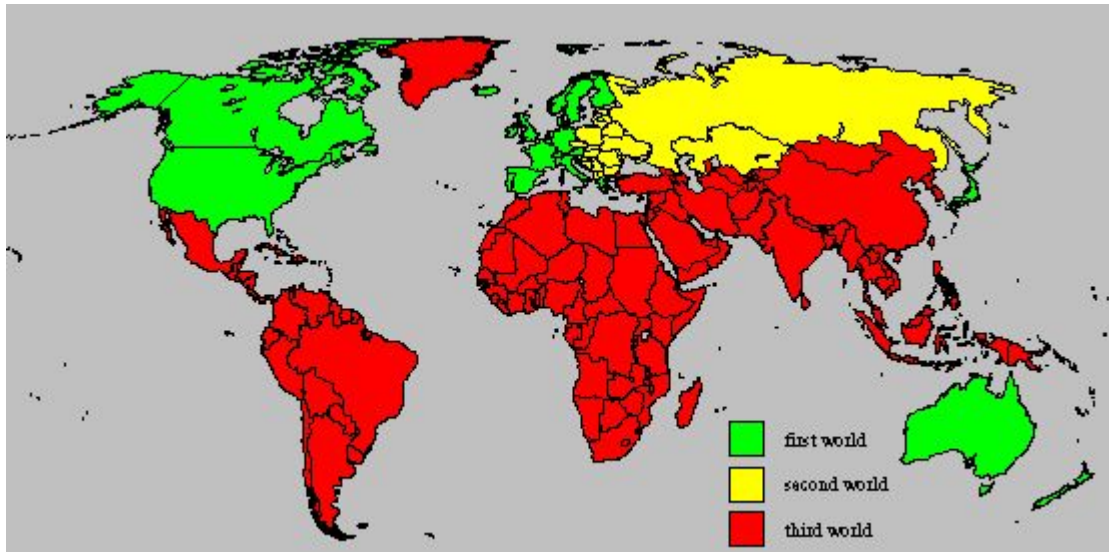


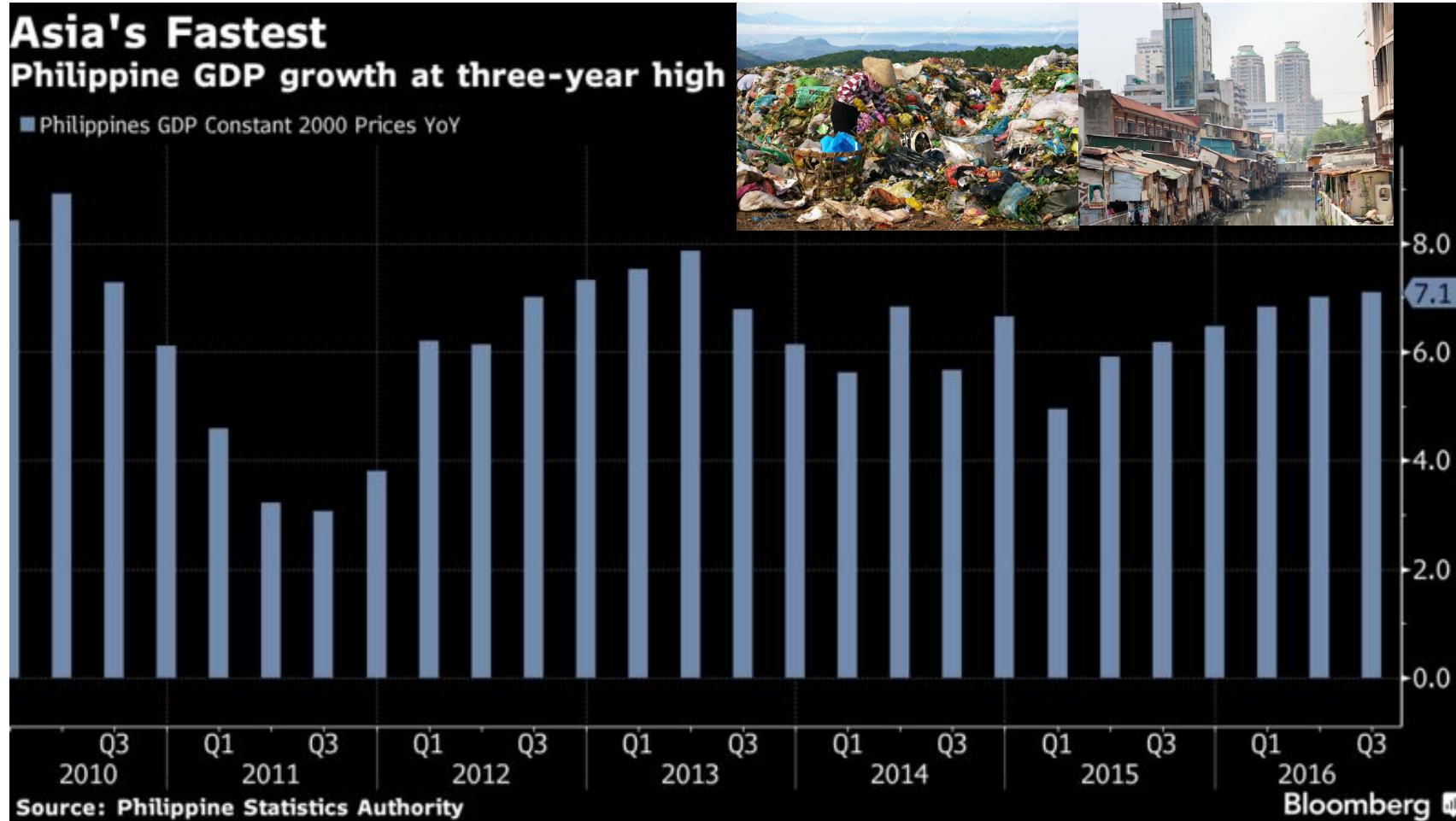
Why Anti-Poverty Is Not Enough: The Relevance of Georgist Reforms in Developing Countries

Joffre Balce
Secretary

Association for Good Government



Meet Asia's Fastest Growing Economy



... with the Worst Poverty

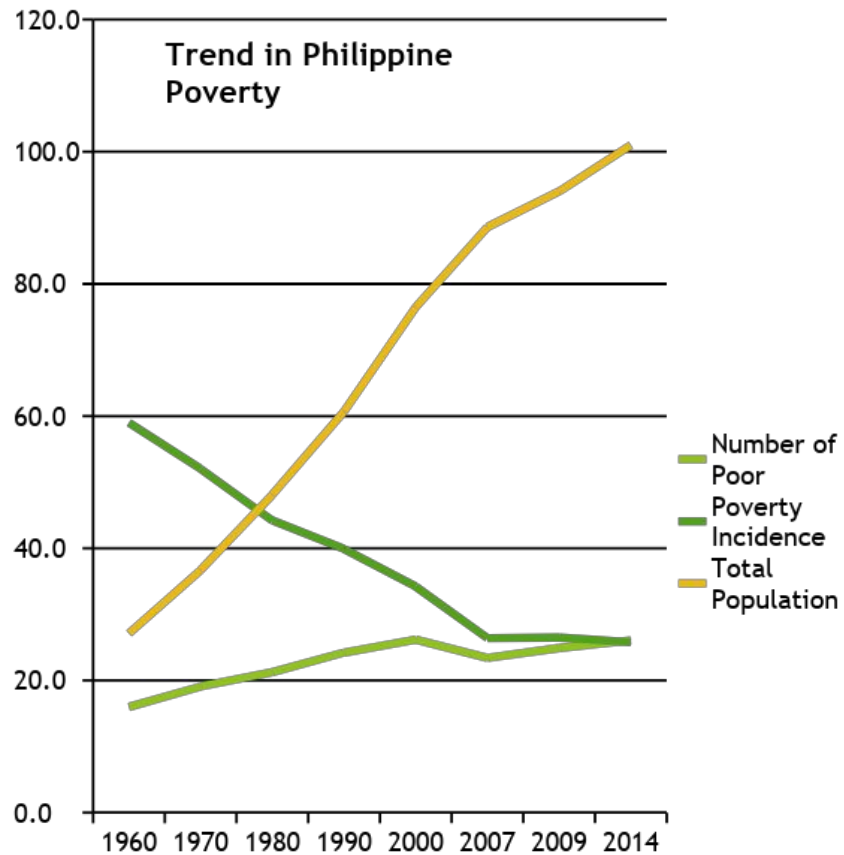


Table 1

THE NUMBER OF POOR PEOPLE IS RISING

As of March 8, 2015

	2006	2009	2012	2015*
Proportion of poor people, %	26.6	26.3	25.2	25.0
Population, in million	87.0	92.2	96.2	101.6
Poor population, in million	23.1	24.25	24.3	25.4
Change in poor population	—	1,106,600	-6,200	1,157,600

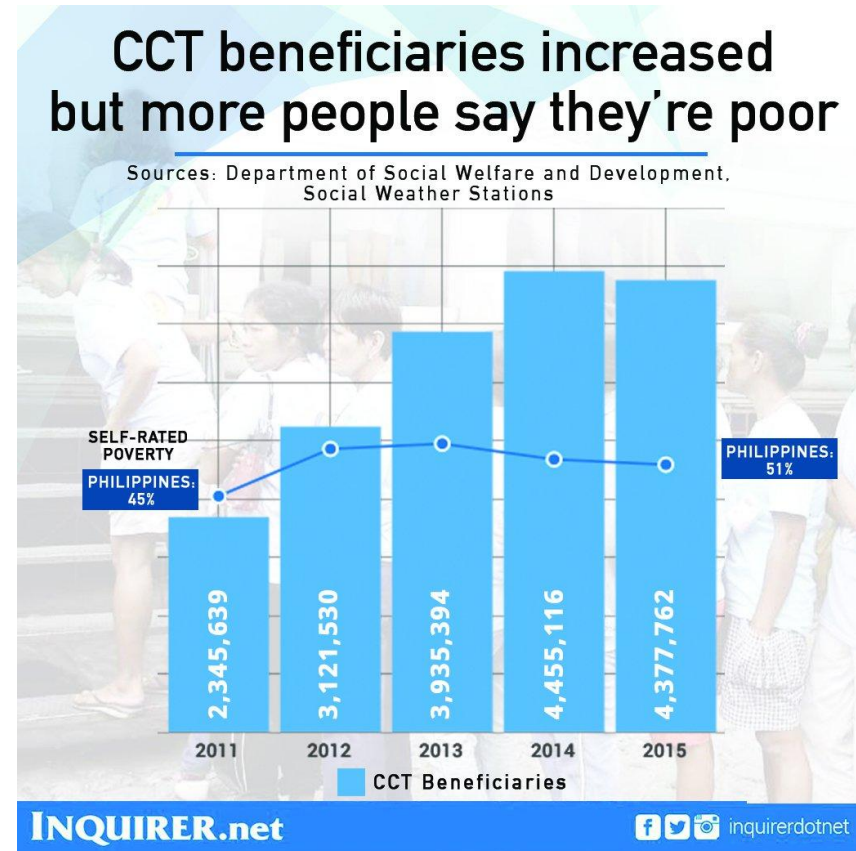
*Forecast by writer

SOURCE OF BASIC DATA: PHILIPPINES STATISTICAL AUTHORITY

Country	Population	of Poor	Incidence
Myanmar	51.5	16.8	32.7%
Philippines	103.9	26.2	25.2%
Laos	6.9	1.5	22.0%
Cambodia	15.6	2.8	17.7%
Thailand	67.2	8.5	12.6%
Indonesia		26.9	11.3%
Vietnam	95.4	10.8	11.3%
Malaysia	30.0	1.1	3.8%

Social Justice Is the Bigger Picture

- ▶ Envy? Demoralization
- ▶ Inadequacy? The Problem is Deeper than Poverty Itself.
- ▶ Social Justice Involves:
 - ▶ Equality of Rights to Nature's Bounties
 - ▶ Rights to the just fruits of one's labours
 - ▶ Incentive to cooperate
 - ▶ Self-determination of the individual



Agrarian Reform Benefitted Individuals



- ▶ According to Agrarian Reform Secretary Nasser Pangandaman, DAR has distributed 4 million hectares of farm lands to some 2.3 million farmers in two decades of implementation. They comprise some 2,000 agrarian reform communities (ARCs), the core recipients of CARP's economic programs.

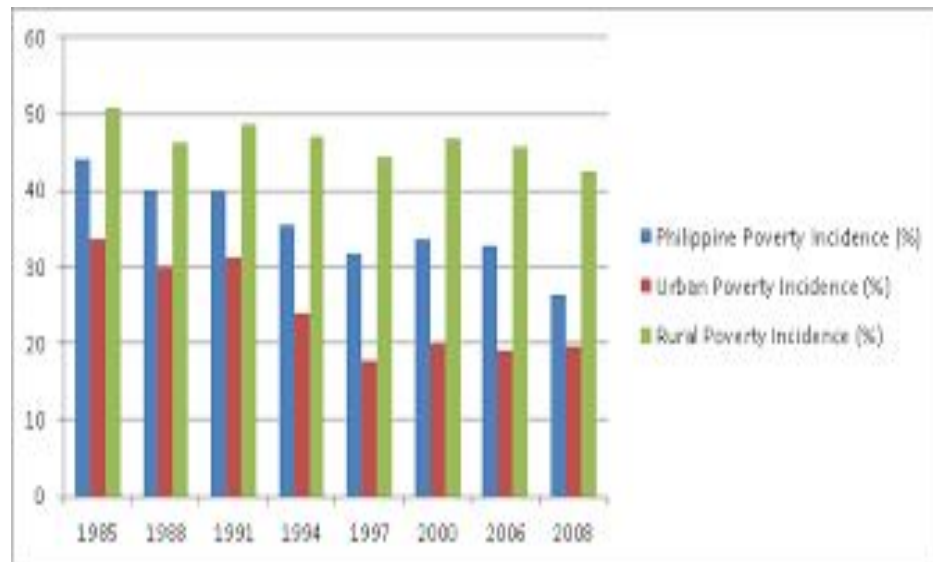
However, the problem is much deeper

WALK FOR LAND, WALK FOR JUSTICE



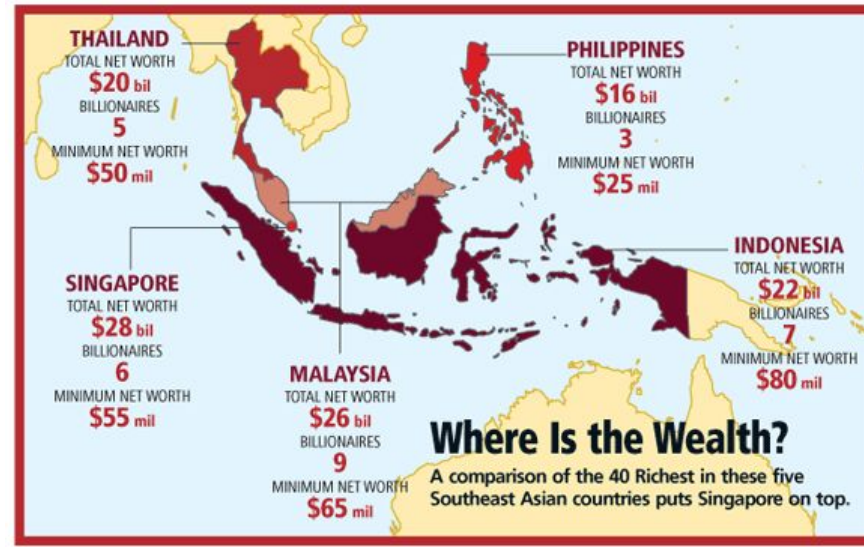
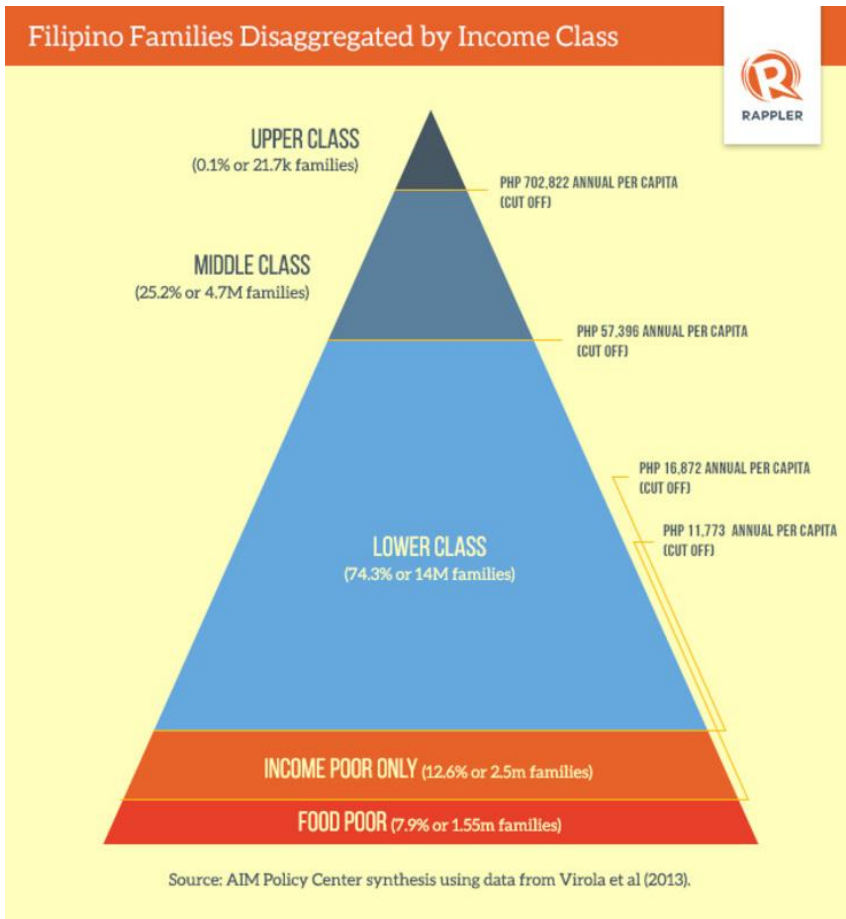
SUMILAO, OCTOBER 10TH TO MANILA, DECEMBER 10TH

- ▶ Urban poor group moves to occupy idle housing units in Bulacan



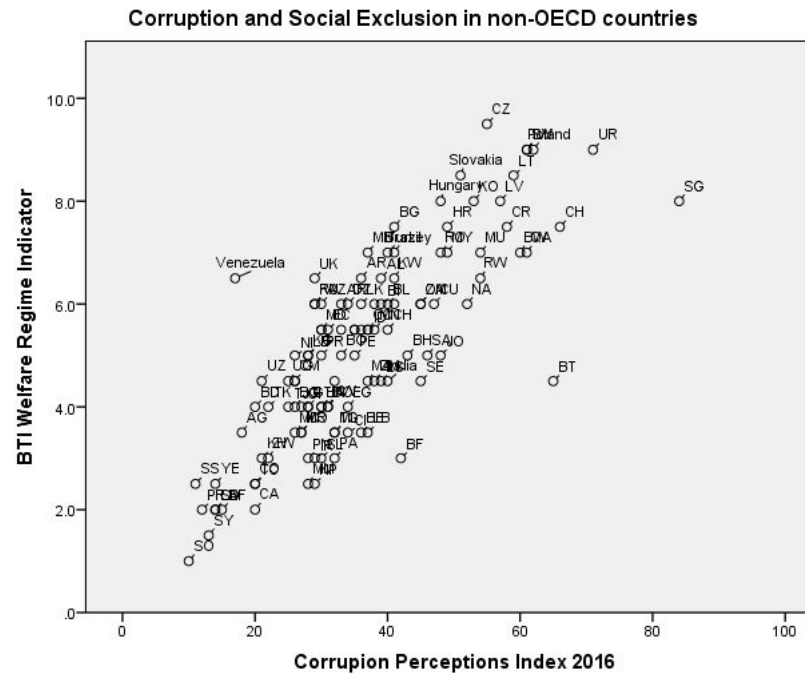
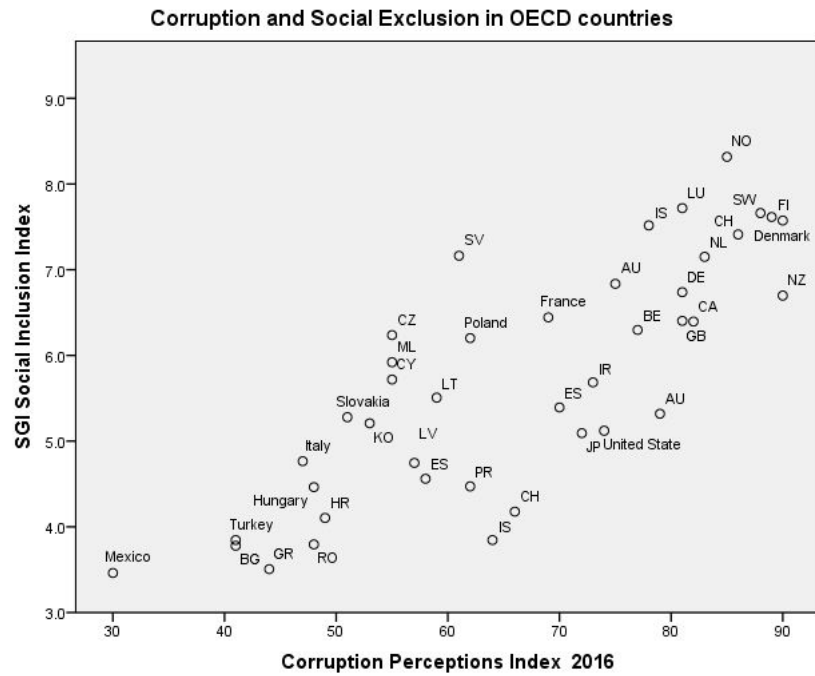
(<http://www.gmanetwork.com/news/story/602478/news/regions/urban-poor-group-moves-to-occupy-idle-housing-units-in-bulacan#sthash.ceZAlbOj.dpuf>)

Gross Inequality



The “wealthy” of the Philippines is not even as wealthy as their Asian counterparts!

Transparency International reveals ...



a correlation between corruption & poverty

Classical Political Economy: Full Disclosure

Wealth = Land + Labour + Capital

- ▶ Land is provided free by nature
- ▶ Labour is a right of free people
- ▶ Capital is what is saved over & above what is needed

Income = Rents + Wages + Interest

- ▶ Land appropriates its rents/values
- ▶ Labour collects their wages
- ▶ Interest is earned from capital

Neoclassical Economics: Rents Become Invisible

Wealth = Labour + Capital

- ▶ People's individual effort
- ▶ Accumulated properties
- ▶ Hidden in plain sight but not in financial accounting statement
 - ▶ Reappraisal Increment
 - ▶ Capital Gains
 - ▶ Goodwill

Income = Wages + Interest

- ▶ The value of labour expended
- ▶ The reward for using properties
 - ▶ Rents
 - ▶ Interest
 - ▶ Otherwise, properties will depreciate, except for land

The Difference Henry George Would Have Made

Tax = Rent = Income - Wages - Interest

- ▶ The point of a “single tax” to appropriate the “single source” for the community & society to continue thriving
- ▶ Individuals are entitled to the exclusive use and enjoyment of the fruits of their labour

Tax = tax rate x (Wages + Interest)

- ▶ Taxation is the legitimised act of government collecting its “fair share” of individual and collective economic activity
 - ▶ Collected from individuals from the fruits of their labour
 - ▶ Interest including rents as lease, not as land values

The Georgist Caveat!

Wages \neq Advances in Capital

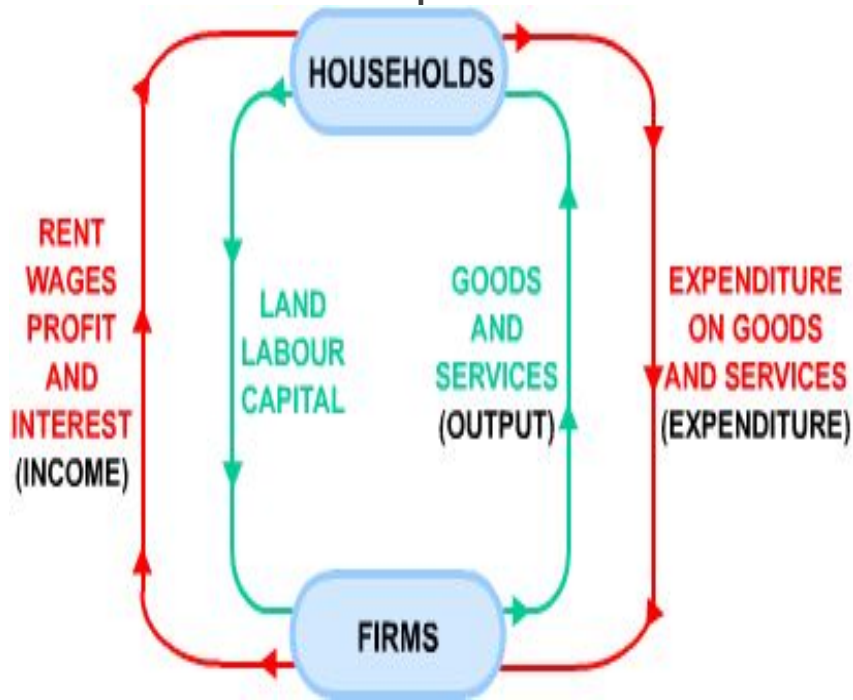
- ▶ THE laborer who receives his wages in money (coined or printed, it may be, before his labor commenced) really receives in return for the addition his labor has made to the general stock of wealth, a draft upon that general stock, which he may utilize in any particular form of wealth that will best satisfy his desires; and neither the money, which is but the draft, nor the particular form of wealth which he uses it to call for, represents advances of capital for his maintenance, but on the contrary represents the wealth, or a portion of the wealth, his labor has already added to the general stock. – [Progress & Poverty](#)

Income = Advances + Interest

- ▶ Revenues or Sales
- ▶ Minus Costs
 - ▶ Advances to Labour
 - ▶ Interest Cost
 - ▶ Rent as Lease & not Land Values
- ▶ Profit

Neo-Keynesian Economics: Understanding the Expenditure Side

Income = Consumption + Investment



Government to Spur Demand

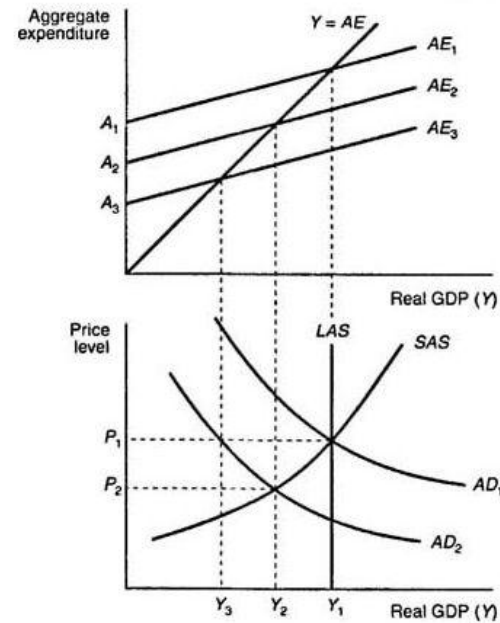


Figure 2 The Keynesian income-expenditure approach and aggregate demand and supply

In Practice, How Does Government Tax?

- ▶ To Generate Government Revenue, What Does Government Tax?
 - ▶ $\text{Tax} = \text{tax rate} \times (\text{Consumption} + \text{Investment} + \text{Exports} - \text{Imports})$
 - ▶ $\text{tax rate} \times \text{Investment} = \text{tax rate} \times \text{Net Savings}$
- ▶ The Economy Is Taxed TWICE!
 - ▶ $\text{Tax} = \text{tax rate} \times (\text{Wages} + \text{Interest})$
 - ▶ $\text{Tax} = \text{tax rate} \times (\text{Consumption} + \text{Investment} + \text{Exports} - \text{Imports})$

The Keynesian Dilemma!

Balance

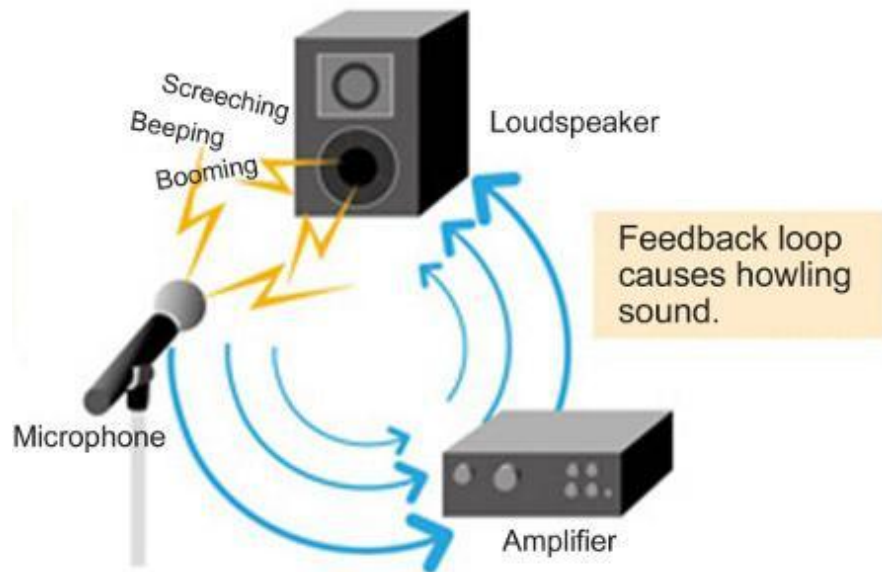
- ▶ Investment = Savings
- ▶ Exports = Imports
- ▶ Government Spending = Taxes

BUT

- ▶ Investment & Savings are taxed
- ▶ Exports & Imports are taxed
- ▶ Factor Incomes of wages and interest are taxed already and independently

Business Cycles: An Analogy

Microphone Feedback Loop



Economic Parallel

- ▶ Microphone as the factor incomes
- ▶ Loudspeaker as expenditures
- ▶ Noise: You have Progress with Massive Inequality, Precarity and Instability
- ▶ Amplifiers as Government Policy
 - ▶ Fiscal Policy
 - ▶ Monetary Policy

Money: From Savings to Debt Economy

Circular Flow of the Economy

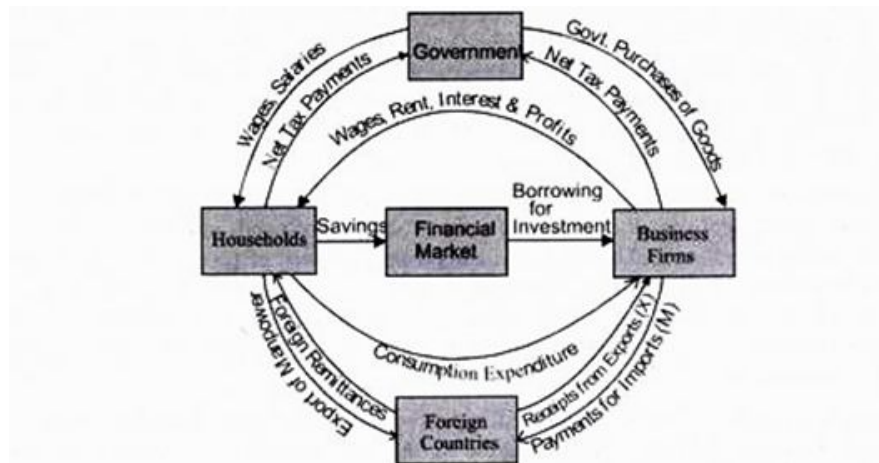
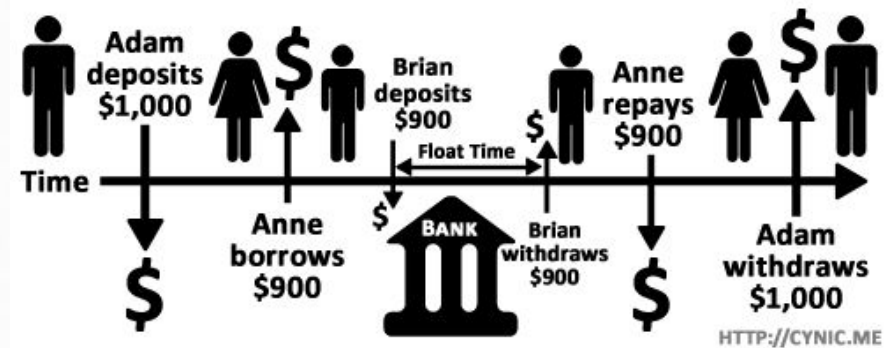


Fig. 6.4. Circular Flow of Income in an Open Economy with Government and Foreign Sector

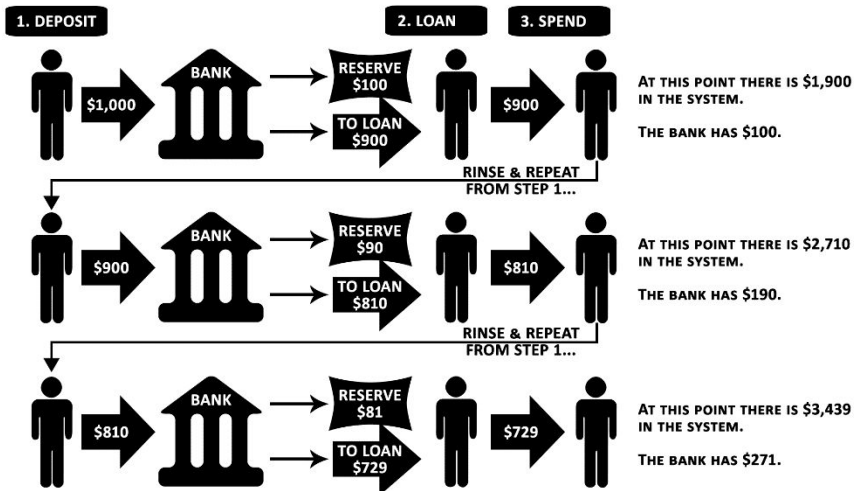
Intermediation to Money Creation



MMT: Money Created from Sheer Debt

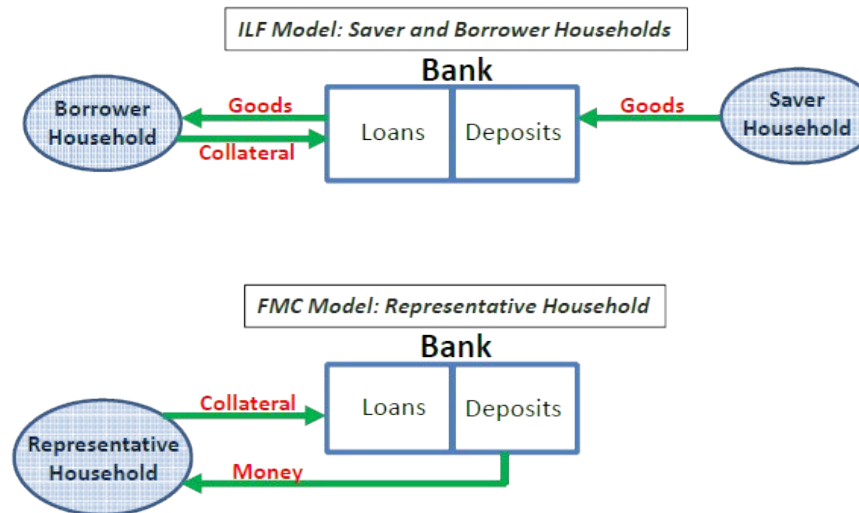
Fractional Reserve Lending

THE BASIC FRACTIONAL RESERVE BANKING CYCLE

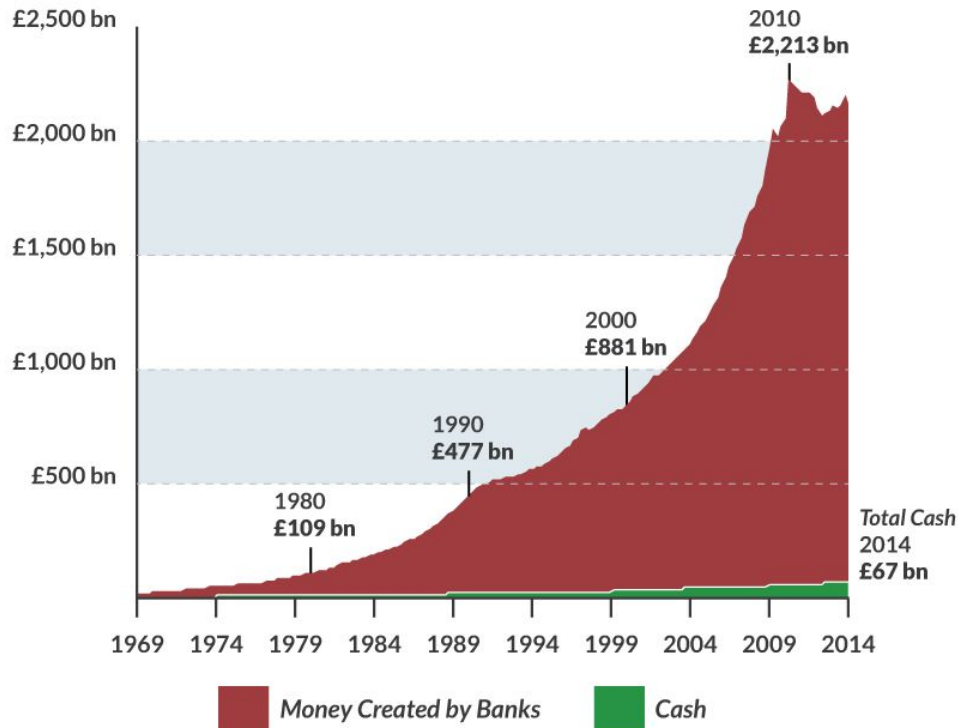


[HTTP://CYNIC.ME](http://cynic.me)

Disintermediation



From the time when the Bank of England was formed in 1694, it took over 300 years for banks to create the first trillion pounds. It took only 8 years for banks to create the second trillion. Today cash accounts for just 3% of the total money in the economy (coloured green on the chart below). Money created by banks accounts for the other 97%



Money creation

through fractional reserve banking (expansionary monetary policy)

CENTRAL BANK

extends a loan to a commercial bank: New commercial bank money is created. Central bank can also create money by purchasing financial assets.

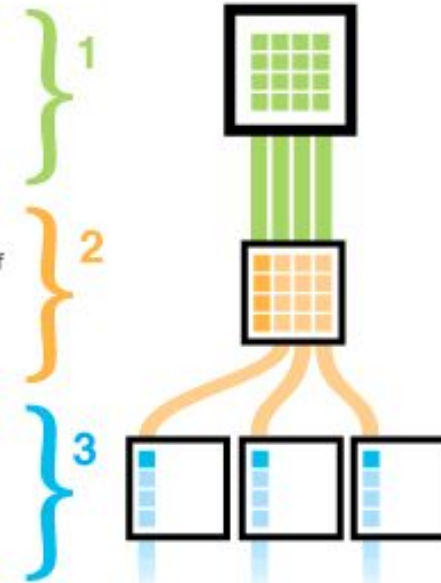
COMMERCIAL BANK

keeps the required fraction of loan sum as deposit, and extends a loan to other commercial banks.

OTHER BANKS

also keep the required fraction as deposit, and are free to re-loan the rest. **Because the loan counts as money, the total monetary supply increases.**

As a loan is paid back, more commercial bank money disappears from existence. Since loans are continually being issued in a normally functioning economy, the amount of broad money in the economy remains relatively stable.



Central bank money



Broad money (cash + deposits)



Money Question & the Land Question: How Does One Acquire Land Rights?

Via the Financial System

- ▶ The willingness of the financial institutions to lend or grant you money
- ▶ Land becomes collateral as the basis of credit extension AND money creation
- ▶ Credit HAS to be repaid by savings from wages and capital
- ▶ Otherwise, the lenders possess/ re-possess the land

Avoiding the Land Question

- ▶ How can we achieve equality in the natural right to live on the planet's surface?
- ▶ Decline in Public Housing and More Private Developer & Bank Lending Dependent
- ▶ Driven by Investor Rather than Resident Needs
- ▶ Congestion, inadequate public works, pollution & homelessness

The Challenges of the 21st Century

Automation: Labour Savings

- ▶ Rising unemployment
- ▶ More insecure & uncertain jobs
- ▶ Volunteer Economy/Basic Outcome
- ▶ OR a more miserable race to the bottom in labour market

Crypto-Currency/Blockchain

- ▶ De-centralize currency
- ▶ De-centralized ledger system
- ▶ Transparency, accountability
- ▶ OR aggravating speculative attack & instability

The Remedy: Re-connections

Just Allocation of Rents

- ▶ Land Values, not lease payments
- ▶ Desirability of Locations
- ▶ Savings in Labour & Time

Taxation and Monetization

- ▶ Land Value Taxation for Equality
- ▶ Seignorage: Money as Sovereignty
- ▶ Political Economy as Social Justice

Continue the Georgist Endeavour for Social Justice

- ▶ Adolf Damascke's Bodenreform
- ▶ Silvio Gessel & the Wörgl Experiment (1932-1933)
- ▶ Sun Yat Sen's "Equalization of land rights"

