

**The following is an Op-Ed Column by Dr. Christopher Meyers, Institute Director, published in *The Bakersfield Californian*, July 31, 2005.**

Forget working, I've figured out how to make over 39 dollars an hour, doing nothing. No, I did not win the lottery; I'm a homeowner in Bakersfield, where home values escalated at the nation's highest rate last year.

By conservative estimate, my home appreciated 75,000 dollars over the last twelve months. Thus if you figure an eight-hour workday, deduct weekends, a few holidays and a two-week vacation, my hourly "earnings" are 39 dollars plus change.

Think about it; for every hour I sat watching the Lakers lose, I made nearly forty bucks. Not bad, huh? And what a shining example of what Bakersfield Art Museum Director Bernie Herman referred to in recent *LA Times* article as Bakersfield's great strength—our "Midwest work ethic."

Yea, right. That ethic says wealth must be *earned*, through hard work, just as does every theory of morally justified ownership of private property.

The most respected such theory was developed by the great 17<sup>th</sup> Century natural rights philosopher, John Locke. Many consider Locke to be the founder of modern capitalist democracy and his words are closely echoed in all the United States' founding documents. A revolutionary in his time, one of his aims was to show why it was wrong for the king to confiscate the fruits of persons' hard-earned labor.

His argument is that natural goods are a gift from God—or nature for the non-believers. As a gift, such goods thus naturally belong to everyone. When, however, someone "mixes her labor" with a natural good and improves it, she may now claim a *right* of ownership. Not to give her this right, Locke concludes, would be to take her labor and thus "enslave" her.

Sitting around watching television—even the Lakers last season—does not qualify, I'm afraid, as mixing labor, nor as improving some natural good. And, thus, I have not earned, and have no moral claim to, my home's added value.

But, one might argue, what is the big deal? After all, the new value is on paper only, since everything around me has been going up at the same time. I couldn't see a profit even if I sold, at least not if I hoped to buy anything else. Where is the harm?

Unfortunately there are many. First, as a recent survey revealed, Bakersfield is now among the least affordable communities in the country, since wages for *real* work have not kept anywhere close to the rise in home values. Given Bakersfield's other problems, it can ill-afford this designation as it tries to attract a highly skilled workforce.

Second, there has been a "trickle-down" effect on the rental market. As home values increase, so do rents, causing direct economic harm to those typically in the worst financial circumstances.

Third, we are pricing our children out of the home-owning market, or at least dramatically altering their economic quality of life. The old adage that housing costs should not exceed twenty five percent of one's income is now a pipe dream for those just entering the home-owning market. As that percentage increases, disposable income decreases, along with the quality of life it would otherwise allow.

Fourth, the profits for speculators are not on paper only. According to the *LA Times*, such investors are party to nearly one-fourth of all Bakersfield home transactions

and are largely from out of the area. Their profit-taking—it was once called carpet-bagging—thus not only drives up the local market, it is taken out of the community.

Last, and maybe most harmful, because these sorts of bubbles have happened all around us in recent decades, we not only believe such outrageous valuations are acceptable, we think they are our *just rewards*: we finally got a piece of the pie! Unfortunately the pie is fashioned out the hides of our children and our lower paid workers, i.e., those we should be most striving to protect.

In short, this unearned income cannot be justified on theoretical grounds and it causes real harm to real people. In other words, it is immoral.

So what's the solution? Since it is a systematic problem, only a systematic response will do. But since every attempt to regulate property values has been an abysmal failure, the answer is, hold on to your shorts, higher taxes.

As unearned income, it should be treated as a gift, belonging, as per Locke's argument, to the community. And our society's means for returning wealth to the community is through taxation. Budget experts can best determine how to manage this, but I would think at least two responses are in order: first, we should tax speculative profit immediately and at a higher rate, and, second, we should undertake a long overdue reassessment of how we tax property, following 30 years of Proposition 13's unfair effects.

I can already hear the blood boiling among those who falsely believe that all legal profit is morally justified. It isn't; moral profit is that which is earned and which doesn't, on balance, harm others. Doing nothing while one's home appreciates at nearly forty dollars an hour fails on both accounts.