

Land Values and Currency Debasement

Knud Tholstrup's *Economic Liberalism* Reviewed by B.W.B.



THE economic consequences of leaving the land of this planet in private ownership have always been grievous, frequently menacing and never less than profound. No other act or omission in human time, no self-inflicted wound in the whole of history, can compare with the enormity of sentencing the bulk of the human race to carry, on their economic backs, a burden comparable with that of Atlas himself.

Like other major injustices of our knowledge it could not be perpetrated — still less perpetuated — without some kind of cover-up. The direct consequences of land being mainly in the hands of the few — low wages, unemployment, poverty — had to be explained somehow. Some palliative had to be found. So, in the United Kingdom we have seen a succession of quack-doctor measures which, building one on the other, have produced as ramshackle and rickety an economic structure as could ever take shape in the unpredictable mind of man.

To combat unemployment we abandoned free trade — and succeeded only in achieving a comparative decline in living standards as the benefits of a worldwide division of labour withered away. As a second attempt to fight the same battle we saddled ourselves with a managed currency and other Keynesian nostras which have steadily embroiled us in accelerating inflation. Controls on wages, prices, industry and commerce have followed, continuing the stultifying process that nationalisation began, so that now virtually the whole of industry writhes under a stifling blanket of Government interference, producing a turmoil unprecedented in our history and a shortage of commodities not known since the days of World War II.

And all the time unemployment and poverty — the poverty of family life in one room with a TV set — goes rampaging on. In this century of the common man, with wealth production reaching heights undreamed of a decade or two ago, millions of young, able (and able-bodied) people hardly know the dignity of standing on their own feet and the pride of achievement in providing for themselves. By the sheer pressure of economic forces beyond their comprehension they are forced to accept the degrading paternalism of subsidised housing, family allowances, supplement-

ary benefits, rent rebates, rate rebates, hand-out after hand-out until one wonders how long it will be — or how soon — before Big Brother provides all and the individual exists only as two hands to be kept occupied and one mouth to be fed.

But in one country in Europe, for one all-too-fleeting a period, the bias in the scales was lessened a little and the world enjoyed a brief glimpse of what society might be like in a country where land was not the privilege of the few and where the principles of economic freedom and the right of the individual to direct his own affairs enjoyed a new respectability.

The country was Denmark; the time 1957 to 1960. In a recent booklet* Knud Tholstrup, one time Danish MP, now managing director of the Kosangas International Group, tells something of what it was like when three political parties in his country collaborated in a programme of reform of which the cornerstone was the expansion of the country's land-value taxes. In three short years unemployment virtually disappeared, interest rates were brought down, inflation was checked and the balance of payments really did balance. Now he advocates a policy of complete economic liberalism — the solving of economic problems on the basis of individual freedom, with the law of supply and demand holding sway and the role of governments restricted to operating the "economic traffic regulations".

At a time when British industry still reels from the blows to its solar plexus wrought by the Barber inflation and the Heath prices and profits controls and now pins its last hopes for survival on the forbearance of Mr. Healey, this booklet by an international business man makes timely and encouraging reading. The more it is a pity, therefore, that as a trailer to his main thesis the author should permit himself a highly personal dissertation on the causes of inflation. In a surprising Appendix he attributes inflation not to any monetary factors but to the "extra purchasing power" produced by rising land values. Tax land increment into public funds, he asserts, and the inflation problem is solved.

* *Economic Liberalism* 25p. FROM LAND AND LIBERTY.

That the taxation of land values should have the *incidental* effect of halting inflation is indisputable. To the extent that the rent of land comes into the national exchequer instead of into private bank accounts and at the same time provides incentive for land holders to use land for productive purposes instead of holding it idle, so the pressure on Governments to inflate (or, to use the current euphemism, to "reflate") is reduced. But the rising value of land cannot, in itself, affect the value of the monetary unit any more than the rising value of works of art, old furniture or new gold coins can do likewise. A rise in the market value of any of these things clearly enables their owners to command increased amounts of money in exchange for them. But no additional money is created. No additional purchasing power is formed. Central Banks do not rush supplies of newly-minted money to land-owners to recognise the increased value of their holdings. The extra purchasing power of the landowner is *transferred* to him by those who buy or rent his land. His gain is their loss; and the pressure on prices which his additional purchasing power generates is precisely balanced by the reduction in that of others.

It is true that the owner of land that increases in value is in a position to obtain credit — or further credit — from his bank. But the sum total of purchasing power is not thereby increased. The total volume of credit available to the bank's customers is firmly geared to the amount of currency and coin they hold in their vaults and only an increase in the currency and coin in circulation (made by the Central Banks) of which a proportion will find its way to the commercial banks can trigger an increase in the total of bank credit. So once again, if our newly-affluent landowner is able to increase his credit from his bank it is only because the allotment of such credit to other customers is correspondingly reduced.

The case for taxing land values — for taking the value of land into the public purse — is both irresistible and unanswerable. Knud Tholstrup performs a valuable service in recounting some of the practical experience of Denmark in the brief period when that small country made such big progress in the right direction. But the case for taxing land values does not need to be bolstered by ascribing to land ownership the responsibility for inflating the currency. Land values are one thing; inflation is something else. But Chancellors of the Exchequer would do well to remember that by commencing the beneficial process of taxing the one they could set aside for ever the bitter temptation to resort to the other.

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