

Brian Chance is a retired Chartered Accountant and company director who has worked for many years seeking practical ways of implementing Henry George's land value tax

A FRESH VISION FOR GEORGISM

In *Progress and Poverty*, Henry George explained the fundamental truth that a relatively higher value of land at some locations was created by the presence and work of the whole community and that to appropriate it for the private use of the owner was unjust. This truth struck a chord when it was written in 1879 and has been accepted by many people since then, yet it is still not implemented in the laws of the major developed societies. George understood the strength of the desire of the individual owner to claim and retain this benefit personally. His prophetic words are inscribed on his gravestone:

"The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured."

Since 1879, the failure to collect for the benefit of the whole community this additional value that they have created, which manifests as its economic rent, has given rise to the inequalities of wealth between those who have benefited in this way from the ownership of land, and those who have not.

The benefit of owning land has two aspects. It allows the owner both to receive the benefit during the period of ownership and to retain it as the land element of the sale price, which is the present value of the right to receive all future economic rent. This future land value forms part of the estate of deceased owners and is received by their beneficiaries, often in a younger generation. The recognition of the benefits of land ownership, with the likelihood that they will increase because there is only a finite quantity of land, has caused its value to rise over time. In this way the total monetary value of land retained by land owners and their beneficiaries continually increases.

These monetary gains by home-owners and their beneficiaries often come from new money created by commercial banks in the form of mortgage loans to the purchasers. The new money gained is not necessarily used in the productive exchange economy, and makes possible savings in additional pension contributions and investments of all kinds including shares and bonds and "Buy to Let" property, which provide further income available for investment. A finance industry has developed and flourishes, leveraged by more bank lending, it develops new ways to profit by trading in money. That part of the finance industry becomes a source of great wealth to some without benefit to those in the productive exchange economy, particularly the non-homeowners. As the cost of homes rises it becomes increasingly difficult for the rising generation to own a home of their own, unless they are beneficiaries of homeowners. Rents rise and the need to save for a larger deposit for a home purchase hinders the formation of new families. Generational inequality is added to the basic inequality between those who own land and those who do not. As communities concentrate in areas where work is most productive, which in the U.K. in the south of the country, yet another inequality arises - the north/south divide.

All these inequalities are repercussions of the original unjust private appropriation of the economic rent of land. Governments recognise the effect and try to help by offering grants such as Housing Benefit as rent relief, and "Help to Buy" to assist home buyers. The intended investment in the "levelling up" proposal and the projected "northern power house" to correct the north/south divide are miss-directed attempts to spread more widely the benefits of land ownership to help all to have the same standard of living. But these well-meant efforts cannot remedy the relative impoverishment of non-landowners, because they do not correct its cause. The cost falls on taxpayers.

To enable all to enjoy the same standard of living when earnings are pressed down to a low level there has grown up a need for the State to ensure universal benefits such as the health service, social care and pensions which might more properly be regarded as a personal responsibility. In a community working in harmony with natural law, much more help could be given by family and friends backed by private insurance or perhaps a revised National Insurance scheme, based on risk instead of income, with State help for those who need it. State provision for all these has caused expenditure to far exceed the income that could reasonably be expected from a location levy on residential land. Using reasonable estimates of current values and allowing for a comparable contribution from commercial and industrial land, the cost of replacing taxes on earnings, being Income Tax, VAT and National Insurance, and of replacing Council Tax, would be more than £25,000 per annum on a house presently valued at £450,000, having a land value of £300,000. This would meet the current cost of government as envisaged by George, plus the increased cost of health and social care, state pensions and debt interest. This figure is not put forward as an argument against the recommendations of Henry George, but as an indication that a new approach is needed.

Correcting these purely financial effects is a formidable undertaking but it is only part of a far more urgent need, which could also be traced back to the continuous flow of unearned claims on wealth to land owners, enhanced by the process set out above. There is a greater opportunity for the satisfaction of personal desires, without recognition of the harm being caused to the earth that supplies every need. Natural resources are free - nature does not charge for them - and all that is thought necessary is to gain access to them and fashion them into products to satisfy personal desires with the minimum effort. Instead of playing their proper part by using their superior powers in husbanding Mother Earth, mankind has regarded it as a resource for their use. This injustice has increasingly disturbed the delicate balance of the earth. The results are apparent today in the general deterioration of our environment, with the impending climate-change crisis brought about by the man-made gases polluting the atmosphere.

George would surely have observed these trends, which are now producing their inevitable detrimental effects, long before they



became apparent to others. He would have realised that human laws must be aligned with natural law if man is to live in harmony with nature, and that the true value of land is measured not in its money price but in its ability to provide for human well-being at a deeper level. The need to make it possible for all to live in harmony with the natural world is simple justice. From this starting point, George would have made it clear that the Law of Rent, which produces a surplus at certain locations when people work together as a community, is a law created naturally for the general benefit of the community and not for the owner. He would have understood that the failure to abide by this natural law must inevitably bring degeneration, conflict and injustice.

There is now a growing recognition that the deterioration of the environment needs urgent corrective action. Many new policies are being proposed and Georgism now needs to present its case as an essential component of a much greater world-wide determination to re-establish the proper behaviour of humanity. Economics today is concerned only with mechanisms for satisfying our personal material desires. Land and labour are regarded as costs and are thus given a monetary value. Instead of considering the private appropriation of the economic rent of land as just a monetary transfer in a purely monetary economy, we should show it to be a breach of the fundamental law that all have an equal right to the common source from which all its creatures, and man in particular, obtain all their needs and also that having enjoyed its benefits, we need to leave the earth in as good or better condition than we find it, for the benefit of those who will follow us. With this deeper insight, it will be possible to show ordinary home owners that claiming personally the benefits of being able to occupy a particular plot of land, which prevents the equal right of all to enjoy life in harmony with nature and is the major cause of the climate change crisis, is not really in their own interests and is unjust.

It is therefore suggested that Georgist policy should now be re-focused towards emphasising that collecting the economic rent of land can provide a major source of finance for the work that will be necessary to correct our harmful treatment of the earth. It will begin to reverse the process described above that has for so long been obscured. In due course, when the primary object has been achieved, it will be easier to show that a continuation of the policy will bring all the benefits of the reduction of tax on earnings, including economic freedom and elimination of inequality. This will help home owners to accept their loss as being for their own benefit as well as for the benefit of succeeding generations. The need for action to combat climate change will be a major world policy when the pandemic is over, and it will be expensive. A land location levy is the best way to meet the cost and the advocacy of this policy for the purpose will bring Georgism to the forefront of public attention.

This grand objective of helping to bring human life back into harmony with nature needs practical proposals for action in the post-pandemic world. A major problem is that a substantial portion of future rent has already been collected by all the previous land owners. The land element of a house price is the payment in advance by the purchaser for the right to receive all future rent, a portion of which cost is in many cases still to be paid as mortgage repayments. A government levy on annual value now will therefore be a double payment. This makes it necessary to introduce the land levy gradually and in as simple a way possible

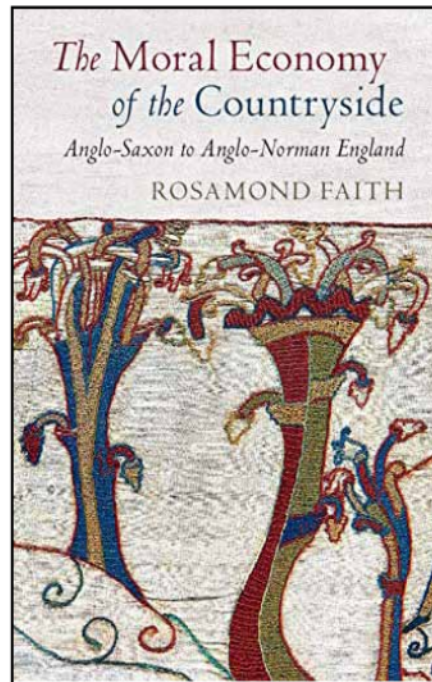
with minimum disturbance to current tax arrangements. For this reason it will be better to start with the modification of existing taxes, with development into a full land value levy to follow in due course. A report by the Wealth Tax Commission suggests only a one-off tax (albeit in five annual instalments), but this is because it recommends a tax on all assets, which would make valuation more difficult. However, it does suggest that if an annual tax is instituted, it could be by a modified Council Tax.

Council Tax is the nearest to a levy on land values that is immediately available. Unfortunately it is unjustifiably regarded as having fatal flaws. The general opinion is that not only is it based on out of date property values, it is also extremely regressive because the tax payable on the most valuable properties is only three times as much as the tax payable on those with the lowest value. But these actual or apparent flaws are either not significant or can be easily remedied. The real objection to Council Tax is to the way in which it is calculated at present. Although it is usually described as being based on the banded property values, it is not based directly on the band values at all. There is a superimposed arithmetical computation of the tax payable, based on varying ninths of the band D assessment. The lowest band is assessed at six ninths of the band D charge and the highest band is assessed at eighteen ninths of the band D charge. It is this superimposed calculation that limits the maximum payable to three times the minimum. This is extremely regressive but it can be easily corrected by scrapping the superimposed calculation and using the gradation of the band values instead. The result of this correction will be to increase the maximum payable to about ten times the minimum, with proportionate increases on intervening bands. The tax will then be far more closely aligned to the variation in land values.

The broader problem of out-of-date land values is due to a misunderstanding. Houses generally remain in the same bands and this means that the band value figures will have increased in line with the increase in house prices. Assuming that all house prices have increased at the same rate, the present band values must be at least four times those in 1991. The report of the Wealth Tax Commission suggests that the starting value of the top band, presently only £320,000 is now about £1.5 million, a far more realistic figure. Admittedly, some values, particularly those in the London area, have risen more and band values can be only an interim substitute for individual land values, but bearing in mind the proposed gradual introduction and increase with the sharper increases applicable to higher priced houses, the gradation of the levy by band values, provided that it is charged at a national rate, is justifiable. It will permit an immediate start to the urgent need for additional government revenue and provide time for a revaluation of residential land and a full land location value levy in due course.

Additional revenue can also be provided by reducing and ultimately withdrawing the reliefs given for the value of homes for Capital Gains Tax and Inheritance Tax. This can be justified as a partial recovery of the already captured land value described above.

By refreshing and deepening the vision in this way, Georgism will show how it can begin to correct the fundamental error in economic thinking with its deplorable effects, and bring true economics with justice and natural harmony in the world, the truth that has been obscured since George wrote in 1879. 📖



THE MORAL ECONOMY OF THE COUNTRYSIDE ANGLO-SAXON TO ANGLO-NORMAN ENGLAND BY ROSAMOND FAITH

Reviewed by Edward Barnett

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I remember receiving a history book as a present when I was around 8 or 9 years old. It was an illustrated history of England from 1066 and I loved it. It did however, leave me with the impression for a good few years that history began in 1066 and the preceding years were not worth considering – it would be in the book if they were after all. Or so I thought.

In her great work *The Moral Economy of the Countryside*, Rosamond Faith puts this misapprehension to rest. She shows us a rich and important history of England in the pre-conquest years, through the careful examination of ordinary life for ordinary people.

'Moral Economy' is a term that has a good pedigree but has become a less common term in recent years. E. P. Thompson popularised the term, which highlighted the hastening gap between moral and economic issues. The corn riots in 1700s Thompson argued, were caused by a tension between a fast-changing peasantry who required a fair price set against surplus sales of landowners with substantial produce. In the 1970s the anthropologist James C. Scott made waves with his work on "The Moral Economy of Peasantry: Rebellion and Subsistence in South East Asia."