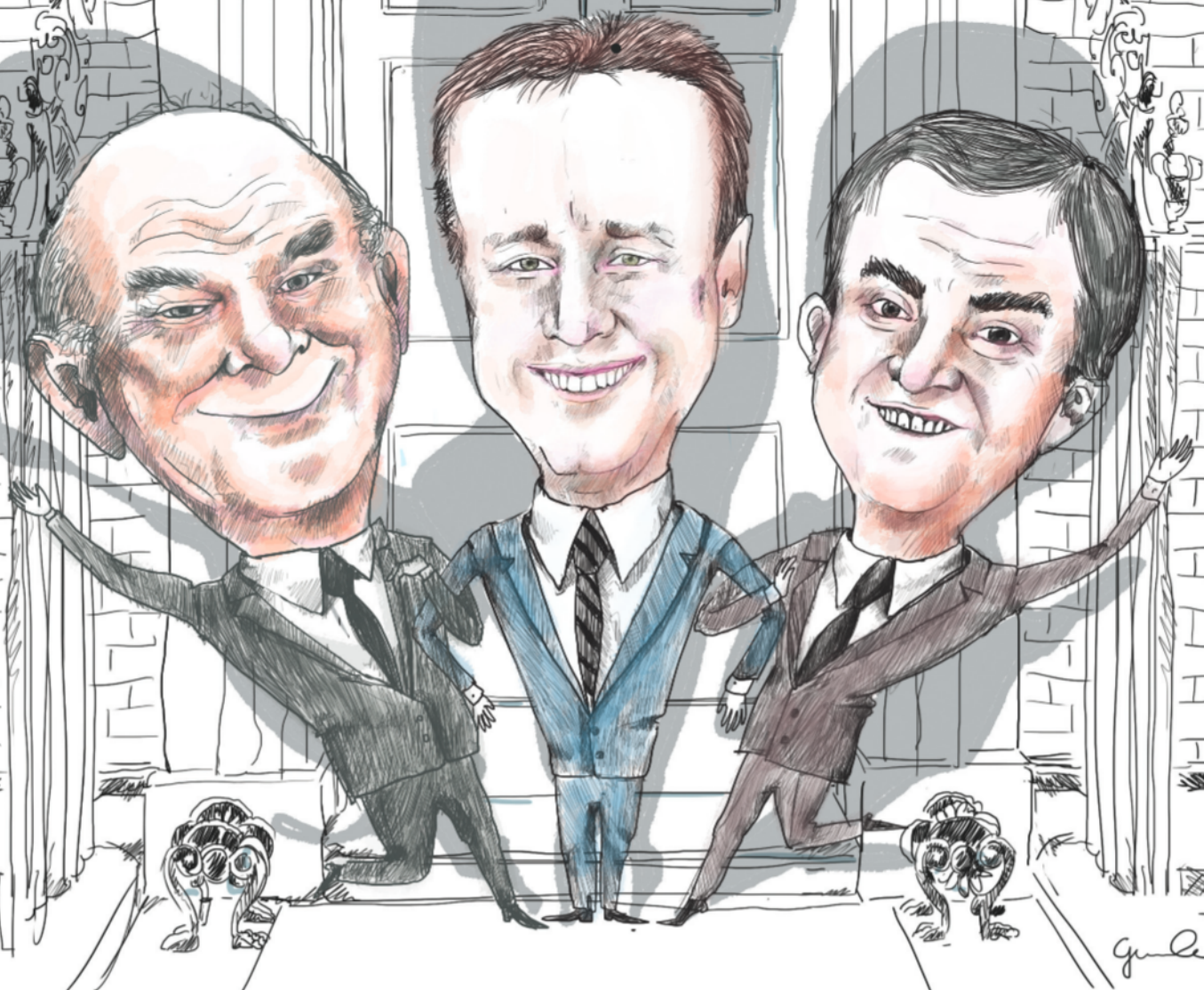


Land&Liberty

putting people at the heart of economics

since 1894

Our New Friends in Government?



Discovering
the True
Nature of
Money



Covenants:
An Alternative
to LVT?



A Fair Fare?
Australia's
Taxi Tax

1228
vol 118 SUMMER 2010

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OUR NEW FRIENDS IN GOVERNMENT?

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APOLOGIES & CORRECTIONS

We are sorry that, due to production difficulties, this issue of L&L has been published later than planned.

The illustration of Anthony Werner featured in the last issue (1227) did not include a picture credit. The illustration was by Mark Wadsworth. We would like to apologise to Mark for this omission.



They've forgotten that the only legitimate source of revenue is to collect and redistribute to the community what the community has created in the value of land. Instead they leave this naturally created value in landholder pockets. Left without this natural revenue, they have been taxing production instead.



Breakdown between governed and government disintegration of nations loss of world order... I hate to think... But remember they still have the remedy if they want it... The sadness is, it's all so self-inflicted; so completely unnecessary. ...madness, if you think about it.

Illustration: © Jonathan Nichols

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Land&Liberty has chronicled world events for over 100 years. It has offered a unique perspective with its reports, analysis and comment on the core issues of political economy. And that uniqueness remains.

Land&Liberty aims to explore how our common wealth should be used—and to demonstrate that this is the key to building the bridge of sustainability between private life, the public sector and our resources—between the individual, the community and the environment.

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MOTIERLODE



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letter from the publisher

OUR EDITOR observed to me recently that people who write to and for Land & Liberty are inclined to be polemic. I wasn't sure what that meant so I checked in the dictionary. Polemic apparently derives from the Greek polemos—war, and the noun means 'controversial argument or discussion: argumentation against some opinion, doctrine, etc.' On reflection I think the editor is right—we are polemic. We do argue against conventional opinion and doctrine. We do so because we are convinced that such thinking is responsible for the economic and environmental mess that is now obvious to all but the most determined denier. It is now not only one small boy who is prepared to observe 'the emperor has no clothes'. We have seen 'the cat' i.e. the critical significance of land and land value in all its guises. We have seen the injustice and damage that is wrought by a tax system that fails to collect what the community produces but which takes from individuals and groups what they produce by their own enterprise and effort. To many of us that have seen 'the cat' it is so blindingly obvious that we find it difficult to understand why so many clever people ignore or deny it. So we try to present evidence of its existence and significance from as many different points of view as possible.

Where we more often manage to stimulate debate and argument however is between ourselves. We do not disagree much about the cat itself, which may be hidden from view by the leaves and branches of the tree it was tempted or forced to climb, but rather how to get the cat down from the difficulty it now finds itself. In this edition we hope to stimulate such debate with an article by Dr Adrian Wrigley. He suggests a way of collecting land rent for the community that avoids the enforcement of any obligation that individuals might be under to render it. His land value covenant solution seeks to promote voluntary cooperation and a contract between land owners and the community. We anticipate and await reasoned responses.

An opinion that commonly pervades economic thinking is that self interest is a sufficient explanation for economic activity and that it is sufficiently converted into general or communal interest by Adam Smith's famous 'hidden hand'. A free market doctrine may then excuse any neglect by government. Henry George, of course championed free trade in things produced by people's work—there the market works. He recognised however that intelligence of a higher order was also required for the allocation the life preserving gifts of nature that no person produces. He observed that selfishness was not an invariable motivator for human action but altruism was just as normal and was more evident where justice prevailed. George considered a more universal aspect of human nature to be that people seek to gratify their desires with the minimum of toil and trouble or exertion. He saw how this applied irrespective of the quality or complexity of the desires that people seek to gratify. The restoration of justice and the cultivation of wholesome desires were thus of primary importance.

David Triggs
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Who Owns the Beach?

Residents of an area of Florida's coastline have been up in arms after the state began adding sand to miles of eroded beaches in Florida's panhandle. Homeowners said they should have exclusive access to the newly created beach as their property deeds entitled them to the beach at the front of their homes. The Florida Supreme Court ruled against them, however, saying that the owners had rights only to the old land and that the state owned the coast land under the sea on to which the sand was added. The owners said that the larger beach would bring unwanted visitors, damaging their property values. They have demanded compensation as a result of the court's decision.



Weale joins MPC

Martin Weale, who has previously expressed support for Land Value Taxation, has been appointed as the ninth member of the Monetary Policy Committee of the Bank of England. Weale has been director of the National Institute for Economic and Social Research since 1995. In 2007 Weale was quoted in the Guardian arguing for land value tax.

"People say that not everyone is benefiting from house price rises. The problem is that house prices are rising in the first place," he said.

The article went on to say: "Residential property is an unproductive asset. If all houses rise in price, we do not, as a society, get richer. As Mr Weale noted in a fine paper last year, rising house prices do not create wealth, they merely transfer resources from people who will own houses in the future to those who own them at present...Mr Weale and other economists say the burden of taxation needs to be shifted off income and profits and on to those untaxed gains in property values. In short, we need a land value tax."

Private Landlords to 'Slash Rents to Keep Tenants because of Housing Benefit Cuts'

Proposed cuts to housing benefits will drive down rents according to the National Landlords Association. In an apparent and unprecedented admission that rents are driven by what tenants are able to pay, Chris Norris, policy manager for the National Landlords Association told the Daily Telegraph: "Landlords will have to look at their profit and loss and decide how much they can afford to cut their rents by."

"If they are not going to do that, they will have to seek non-housing benefit tenants or sell up."

Figures from the Valuation Office Agency, obtained by campaign group Shelter, show that households in every area in the country will be affected by the cuts, which will be introduced in two stages, in April and October next year.



Learning from the Past

Lincoln University hosted a Land Taxation Symposium at the end of June that provided a welcome opportunity for a wide-ranging consideration of different perspectives. Organised by Dr Ian Packer, Reader in History, it was intended to look back at Edwardian Liberalism and land reform to consider how a historical perspective might allow us to view the present day prospects for LVT. What lessons could be learned and how can the practicalities of a land tax be assessed?

The three speakers in the morning session looked at the historical aspects. Dr Tony Taylor of Sheffield Hallam University began with a historical sketch of why Georgism had declined from a popular, almost cult, movement to near eclipse by the socialist movement and was now considered as an extreme position harking back to rural nostalgia.

Dr. Paul Mulvey (London School of Economics) reminded us that the Liberals had done themselves no favours by taking collectivist or individualist paths where both lost their way.

Dr Ian Packer provided an analysis of why the 1909 Budget went so horribly wrong. Lloyd George's initial proposal wanted a 1p in the £ tax on capital value and a 20% increment duty. This was changed to ½ p on the capital value of undeveloped land and a 10% revision duty. There were a multitude of exceptions and legal challenges that made the Bill so complex that 5,000 staff were required to issue and record the 10.7m 'Form 4s' required for the initial valuation.

We were left bemoaning that after all the effort and near success LVT had fallen, simply because there was no practical document ready prepared. Perhaps an important message for Georgists today?

The two afternoon sessions considered the situation and prospects for LVT. Dave Wetzel (Labour Land Campaign) provided an overview of the benefits to be derived from LVT, and reminded us, with several high profile examples, that all infrastructure improvements ultimately benefit the

landowner. A little known fact is that Victoria Coach Station is part owned by the Duke of Westminster, who claims an annual rent of £230,000. 'Any more on the fares, please?'

Professor Alan Evans (University of Reading) concluded the day with an in-depth consideration entitled 'The Taxation of Real Estate. Whereas a century ago 90% of houses were rented, the situation today is that a land tax would impact on 70% of the 'property owning democracy' who would resist what they see as a reduction in the value of their home. We now expect, indeed rely on, house prices to double every 30 years. We ignore the fact that densities have increased, gardens are



smaller and new builds are the smallest in Europe.

With a paucity of positive policies for long-term economic recovery there has never been a better time to introduce a levy on land rental value, although there are many resistances to overcome. Let us hope that we do not forget the mistakes made by Lloyd George.

Michael Hawes

CEJ Conference

On June 24th the Coalition for Economic Justice held a day's workshop at Mandeville Place courtesy of the School of Economic Science to explore how the root causes in LAND AND MONEY relate to the thrust of a number of progressive agencies. The attendees represented over 20 organisations concerned

with economic and social issues including Call 4 Reform, National Coalition for Independent Action, Islamic Banking, Work Foundation, Christian Council for Monetary Justice, Christian People's Alliance, and a representative from the Treasury.

The driving force for the event was the belief that, as the UK economy faces the biggest crisis it may have ever known, progressive thinkers need to concentrate on how they can create together a critical mass likely to bring change, creating an alternative to the prescription of the failed economics of the neo-liberal marketeers.

The event was chaired by John Lipetz of the CEJ. The context for it was provided by Josh Ryan-Collins of the New Economic Foundation based on their comprehensive prescription for eco-systemic change, The Great Transition. Key evidence was supplied by Bill Kerry of The Equality Trust from the book *The Spirit Level*, which makes transparent the relationship between social ills and the scale of the rich-poor income gap in the OECD countries.

In the remainder of the morning session David Triggs of Henry George Foundation presented, in a simple and fresh way, the basic case for using the economic rent of land for public revenue in place of conventional forms of taxation. Professor Richard Werner Director of the Centre for Banking Finance and Sustainable Development at Southampton University gave an authoritative and insightful presentation on the present financial system and offered a number of routes to reform.

Subsequent discussion helped to make clear how closely the land issue was interlinked with the financial system and hence the strong case for considering both Land and Money Reform as interconnected fundamental issues to be faced in any significant eco-systemic change.

After lunch there was also earnest debate about strengthening networks between the fledgling campaigns that might contribute to that critical mass necessary to end the deep injustices in our society.

The possibility of a larger coalition emerged, possibly connecting the NEF with both CEJ and the newly emerging Call4Reform.

Peter Challon

IU Global Conference

The IU Global Conference 2010 was a pleasant mix of serious discussion, films and social contact, with reunions of old friends and meetings of new like-minded people. Delegates from South Africa, Australia, USA, Denmark, Canada, Italy, Spain, Ireland, Scotland and Wales as well as many London based members were in attendance.

researched presentations and lively debates. We were treated to a wide-ranging series of lectures by academics, authors and film makers.

Day 1 included a full afternoon 'Think Tank' on how to get the Georgist message across to a bigger audience. There has certainly been no lack of effort by those in positions to promote economic justice but, as always, it is clear that more still has to be done to present a unified message and obtain the support of

the European Union. A number of inspiring documentary films provided an insight into historical causes that have led to current world problems of poverty and unequal distribution of wealth. Delegates were shown the Robert Schalkenbach production "The end of poverty...?" and invited to make comments on the impression it made.

We enjoyed in depth studies on topics such as Western debt and Islamic finance, and sessions entitled Opportunities in the 21st Century and Natural Law and the Human Condition. On the last day an inspirational session on renewable energy based on sea power was revealing and welcome. Delegates will certainly need plenty of energy boosts to absorb and distil the range and depth of information if they are to be ready for the conference next year.

In his closing address Fernando Scornik Gerstein said there was no reason for Georgists to be depressed and that we should be proud of what we are doing. He was confident that we had been introduced to many new ideas and reminded us that every challenge was an opportunity to guide people to the truth that continues to radiate from the genius and perception of Henry George.

Michael Hawes & Megan Ashcroft



Our speakers provided insightful presentations and the feedback received was very positive. Key note deliveries included Molly Scott Cato (the Green Party), Dr Richard Werner (Southampton University), Satish Kumar (Resurgence Magazine), Fred Harrison, David Triggs, Ed Dodson, Tarek el Diwany (Zest Advisory), Frank Peddle and Polly Higgins.

A number of policy advisors from other NGOs and delegates from the Ethiopian and Argentine embassies attended sessions.

The Conference could not have been more timely. With Greece in meltdown, Goldman Sachs in the dock and the UK in the final lap of an election we were constantly reminded of why things have gone so wrong by ignoring natural law and how they could so easily be put right.

One came away with the certain knowledge that the dedication and enthusiasm of the followers of the fundamental principles of economics proclaimed by Henry George were growing in strength.

Following a welcome by Fernando Scornik Gerstein, President of the IU, delegates participated in a full 5-day programme of well-

other organisations. One suggestion was to adopt a business plan and promote the non-controversial message of 'tax reform' to win general support before starting to introduce land value taxation to a wider public. And, of course, efforts must continue to be made to educate more young people while they are still open to the fundamental concepts of social justice. We should remember, in the crisis days ahead, that it is not economic principles that have failed, but politics.

With a programme of 25 sessions it would not be appropriate or possible to highlight individual sessions or personalities. But in brief summary: We looked back at why the Danes accepted and then rejected LVT, we looked forward to the needs for land reform in China, it was explained that there was hope in Ireland and New Zealand (where income tax is low and there are no tax on capital gains) and that significant progress had been made in Ethiopia regarding land rights, particularly for widows. As an example of how language can conceal the truth, we were informed that the sales tax in New Zealand is called Goods & Services Tax—a term so much more direct than 'Value Added Tax' used throughout

HGF Library Group Report

On 14th May John Stewart gave us a reflective talk on the subject of his three "political" novels. We heard that the inspiration had come from a talk by Fred Harrison on the need for a vision, and John had realised that he had the means to promote it. During the course of writing the third one, "Prime Minister", the



asset price hike and credit crunch occurred, and he found it possible to bring in many aspects of the situation, and found his own solutions, which are vividly portrayed.

The three questions that emerged in “The President” were also worth continuous representation; What is location value? Who creates it? Who does it belong to?

The next week, David Triggs presented Henry George’s Wisdom, really a discourse on the philosophy underlying the economist’s thought. David now knows his subject inside out, and this brought out a deep discussion, as we explored HG analysis and prescriptions allowing for the physical, mental and spiritual nature of individuals.

On 28th May, Peter Watson shared with us his reading of George Coopers book “The Origin of Financial Crises; Central banks, credit bubbles, and the efficient market fallacy”. This author made a distinction between the reaction of commodity markets and the reaction of financial markets to changes in demand, saying that in the former, increased demand brought about extra supply so that prices tended down, but in the latter, prices only went up. This writer did not think the distinction was valid.

On 4th June, we welcomed Dr Johannes Lindval from the Department of Politics and International Relations, Oxford University. His subject was “Reform Capacity” and he had a number of slides setting out his thesis that reform was possible in some circumstances but not others. He was careful not to step outside his brief.

After that, John Story came to tell us about “Managing Financial Assets” based on his training and his job of Property Manager for a major pension fund. He had experience of developers taking opportunities, and the calculations needed by real estate managers to justify their decisions.

On Friday 25th June we received another stimulating address from Dr Joseph Milne. His title was “The Ascent of the Good through Justice” based on extensive study of Plato, Aristotle, Aquinas and others, and showed how our understanding had changed, mostly for the worse. We felt that the ancients might not have got into quite such difficulties as the credit crunch and recession.

Rosemary Attack introduced us to her study of John Clare, poet and observer of the enclosures in the nineteenth century. Her book on the subject will be published soon by Shephard-Walwyn.

Lastly, on 9th July we heard from Jonathan Nichols about “Lessons we should learn from the Anglo Saxons regarding land, freedom, government and justice. Jonathan was on top form and provided a wealth of historical

background to worldwide influence of the Saxons, their laws and the principles that they live by. It stimulated a lively and enlightening debate that all present much appreciated.

Tommas Graves

Friday Evening Group

Many of the Group were present in previous terms when the emphasis was on studying the direct text of Henry George in order to gain

an appreciation of his reasoning. This term the presentations were based on material resulting from David Triggs’s own study of George’s ideas.

The material presented stimulated much discussion each evening and shed light on many aspects of the world economy. There seemed to be a need for Government experts to understand better the natural law governing the economic arrangements they devise. The regular pattern of boom and bust cycles would suggest that the current arrangements are designed, not for the eradication of the root causes of poverty and strife, but to alleviate their effects in society. George would have us know that the earth is abundant and more than capable of providing adequately for the world’s population. For me, this communicated a strong sense that it is error to assume that extremes of poverty and wealth are a natural phenomenon.

In considering political economy, we must always refer the study to the welfare of the whole community. George recognised that everyone has a subjective interest and a certain reluctance to distinguish between personal versus community interest and he took great care to ascribe a precise meaning to the words he used, which would be constant unless proven otherwise. This provided an element of fun in the study because one does try to prove George’s ideas as wrong. It was a challenge that David Triggs kept issuing to the Group.

Wealth, George says, must be capable of gratifying human desires and it must be the result of man’s work on what nature provides.

The gifts of the nature cannot be wealth and therefore the acceptance by society of the notion that land is wealth is a fundamental mistake.

George introduces an interesting approach to the concept of value. Air has a high value to the user but has no value in exchange. Thus there is a distinction between value in use and value in exchange and it is the latter alone that is a concern in political economy. Further, value is identified as coming from two sources: production and obligation. Value from production comes from man’s work in modifying nature to gratify his desires and

value from obligation arises when a man has to render a service or tribute to another who has control over natural resources which he requires. Pondering this distinction led to the observation that rent of land is a value from obligation and gave rise to enquiry concerning who is the lawful recipient of the rent. There seemed to be no argument that the rent should be collected for the benefit of each member of the community.

In considering many of the principles demonstrated by Henry George, much was seen about the nature of

human society and its place in the universe. One is bound to echo remarks made by Dr Joseph Milne in a recent lecture to the Library Group that George’s place is in a tradition extending back to the sages and prophets of antiquity.

Bart Dunlea



Legrain: 'Let's Learn from Hong Kong'



READERS of the last edition of **L&L's** Media Watch may recall that we reported on Phillippe Legrain's articles in *The Guardian*, *Prospect* and *The Financial Times*, in which he argued the merits of land value tax. On June 16th Legrain was at it again, this time in the pages of *The Times* and, if anything, he was able to make his case even more succinctly. In his 900 word article he advised the current coalition to heed the advice of another great statesman who was both Liberal and Conservative and introduce a land value tax as part of a bold package of fiscal reforms.

"The proceeds could be used to cut the deficit and national insurance, creating jobs, boosting take-home pay and stimulating growth," argued Legrain. "Over time, the aim would be to shift the tax burden off hard-working families and on to idle landlords—as in Hong Kong, where revenues from land taxes keep income tax low, there is no VAT or capital gains tax, and enterprise flourishes.

"When the Government taxes successful effort, people strive less—some work less, others don't bother setting up a business, a few relocate overseas—and since hiring is more expensive, fewer jobs are created. But taxing land wouldn't crimp economic activity, as Adam Smith explained in *The Wealth of Nations*. It wouldn't reduce the supply of land, which can't be spirited away to a tax haven. And it wouldn't push up rents, which depend on what tenants are prepared to pay rather than landlords' expenses."

Despite this reassurance the following day a letter appeared in the *Times* from Helen Screamon, who described herself as a "peasant tenant farmer". Screamon argued that any LVT would just be passed on to her by her landlord.

Many friends and supporters of the HGF, including Roger Sandilands and John Digney, wrote in reply to the letter but only Anthony Werner's reply was published. "It is evident from [Screamon's] letter that she is already paying the maximum she can afford and cannot pass on a rent rise in higher prices," wrote Werner. "With LVT there is a restraining influence on landowners: if they put up rents and tenants cannot afford to pay, they risk being left with empty properties on which they would be liable to pay tax. LVT would not only apply to agricultural land. When we look at our high streets and see the number of empty properties, were the landowner liable to LVT regardless, he would soon lower his rent to encourage occupancy."

TELL US ABOUT IT!

Seen, heard or read something in the general media that you feel **media watch** should know about? Let us know by emailing editor@landandliberty.net or write to Media Watch, Land and Liberty, PO Box 6408, London, W1A 3GY, UK

Taking the High Road (and the unearned profit)

As Cabinet Secretary for Finance and Sustainable Growth in the Scottish parliament, John Swinney, MSP, was quick to point out the benefits of the M74 extension, especially to the areas it happened to be passing through. So well done to Ron Greer for writing to the *Dundee Courier* and pointing out that the £500 million public investment in the extension, "is creating increased land value to both industrial and domestic residents."

As Greer put it: "This increased value of land and site potential, has not come through any entrepreneurial effort of businesses or individuals, but from society as a whole. Any person or business who purchased land near the new M74 before planning permission and construction, now stands to make huge profits, simply and effortlessly, from society's decision to allow and finance this construction."

His letter ended with a challenge to Swinney "to inform us how he is going to ensure that the full value of the increase in site values, solely brought about by our collective investment, is going to be returned to us?"

FT Puts Leader behind Land Value Tax on Eve of Budget

NOT LONG ago it seemed almost impossible to get even a mention of land value tax in the British mainstream press, let alone a recommendation to adopt it. But times are changing. At first it was just a trickle of commentators advocating the tax. Then, on the 21st of June, the day before Chancellor George Osborne's much anticipated emergency budget, the Financial Times recommended replacing council tax with land value tax, in no less than its leader column.

Until the BBC decide to screen a Panorama special on the benefit

council tax brought in £25 bn—one quarter of the cost of local budgets," the editorial wrote. "Almost all of the rest came from central government grants and national taxes whose proceeds are earmarked for local authorities.

"This makes for bad public policy: decisions are taken far from the coalface. There is also little accountability."

But the FT did not argue that this should mean council taxes should rise, calling it an "ill-designed tax, a hybrid of a local services charge and a property tax. The levy varies with property prices, but not by enough to prevent it from being an excessive burden on poor households."

Instead it called for a major reform in local government financing before concluding: "The council tax should be replaced by a land value tax, and the government should investigate what other taxes can be localised."

Unsurprisingly for such a high profile piece, the article generated plenty of debate on the FT website, www.ft.com, by searching "land value tax". LVT supporters might want to take the opportunity to keep the debate going and increasing the profile of the story by visiting this page and adding their own comments.

and justice of replacing all unjust taxes with a single rent on location value, it's going to be hard to find a more positive piece of media coverage than a recommendation by the voice of one of the most respected financial newspapers on the planet the day before a budget.

Under the headline, Tinkering with tax, the FT leader pointed out that council tax is hated simply because it is more obvious than other taxes. "The median household pays more in value added tax and in income taxes," it said. "But whereas those bigger levies are collected subtly, at the checkout and through the pay-cheque, council tax bills are sent out in the post. It is a particularly visible burden."

The newspaper went on to argue that because council tax is so despised it is kept low, with the result that UK local authorities are not able to raise enough of their own money. "Last year, the



Central Banks and Credit Bubbles

The Origin of Financial Crisis
by George Cooper
HARRIMAN HOUSE LTD.

Dr George Cooper wastes no time getting to the point of his thesis, for it is clearly stated on the front cover "...and the efficient market fallacy." While it is another book on the credit crisis, it is of particular interest to those who seek to understand how powerful a defective idea can be in bringing economic distress to the world economy.

Dr Cooper introduces the reader to the Efficient Market Hypothesis (EMH), which states that 'asset prices are always and everywhere at the correct price.' The EMH has no room for bubbles or busts for these are only price swings due to markets responding to changing fundamentals. It takes little space in the book for this theory to be shown to be a fallacy. What is horrifying is to learn that the EMH remains the conventional wisdom of how financial markets are viewed and is one of the key premises on which our central banks operate. He illustrates how this apparently innocent idea affects national economic and financial policies by examining the central banks and how this concept guides their thinking.

One of the gems in the book is how the key quality claimed for markets is equilibrium. After all it is in human nature to want stability, stable employment, a happy family life, an army to defend the homeland and so on. The author shows very clearly that financial markets differ from the markets trading in goods and services, which do have a built in equilibrium, while asset or financial markets are in their very nature unstable. How come? Dr Cooper develops his argument with such skill and reason that you are left wondering why

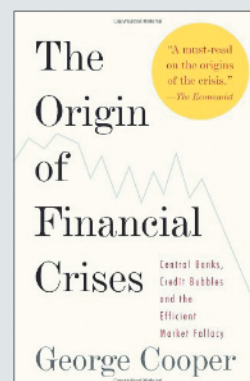
you did not see something so obvious years ago. Those familiar with land prices in the tenure conditions that we live under today will recognise only too quickly the point being made.

The EMH does have opposition from The Financial Instability Hypothesis developed by the American economist Hyman Minsky, which explained long ago the inevitable instability of financial markets and the consequences of failing to act on this fact.

Considering the ground covered by the book, it is not a long one and is very well laid out, as is the information and arguments put forward by Dr Cooper. The author works in the City and has had years of experience of the workings of financial markets. A lot of historical background is used to bring depth and enliven this eminently readable book, particularly on the role of the central banks. Because of the breadth of the book you come out feeling you have learned a lot more than about just the EMH and its contradictions.

It is important for those of us inspired by the vision of Henry George, and who seek to address the underlying causes of economic injustice, to also have some understanding of the immediate causes of the financial dangers the West now faces and the wholly defective ideas that have brought the world close to financial collapse. The Economist described the book as 'a must read.' I would second that.

Peter Watson



New Friends in Government?

Britain's new coalition government includes three cabinet members closely associated with ALTER, the Liberal Democrat's Land Value Tax campaign group. ALTER chairman Tony Vickers investigates what this means for the prospects of just, sustainable and fair taxation

AFTER THE most intriguing general election to be held in Britain since the Second World War, Britain now has a new coalition government. It is the first British government to include Liberals since 1945. It is also the first British government for almost a century to contain cabinet members who belong to a campaign group calling for the introduction of a land value tax.

Until 2005, ALTER (Action on Land-value Taxation and Economic Reform), a campaign group in and for the Liberal Democrat party, had no front-bench MP supporters. In 2001 the former financial journalist and founder-director of City analysts Fitch-IBCA, Chris Huhne, a Member of the European Parliament since 1999, agreed to be ALTER's Honorary President.

A decade earlier, Huhne had written in *L&L*, saying: "the economic argument for raising public revenues from the rental value of natural resources was exceptionally strong". Huhne switched to the Westminster Parliament in 2005, becoming its front-bench Environment Spokesman.

Between 2005 and 2007 the Liberal Democrats undertook a fundamental review of taxation policy, largely steered by its highly respected Finance spokesman, former Shell chief economist Dr Vince Cable MP. Early in the Tax Commission's work, a Party Leadership election took place. Cable, at that time Deputy Leader, was Acting Leader during the election. Huhne was one of only two candidates for the leadership and ALTER invited both Cable and the eventual winner Nick Clegg to join him on their letter-head: to become Vice Presidents of ALTER. Both agreed.

During the debates at two successive Party Conferences (2006 & 2007) on tax policy, all three leading Lib Dems (Huhne, Cable and Clegg) specifically spoke in praise of ALTER's work on LVT and their influence helped secure support for reaffirmation of the policy as a long-term aim. Detailed and specific measures, drafted by ALTER, relating to reform of non-commercial property taxes (assigned to local government) onto a site-value only basis, found their way into the final policy document.

All three are now members of the British cabinet. Clegg is Deputy Prime Minister, in charge of constitutional reform; Cable is

Business & Industry Secretary; Huhne is Secretary for Energy & Climate Change.

Within 10 days of the 6 May election result, the Conservative and Liberal Democrat parties signed a Coalition Agreement, which is the basis for a five-year fixed-term period of government of the UK. It makes no mention of LVT. Nor did the

Liberal Democrats' election manifesto. Yet the presence of three supposed advocates of LVT—from a Party which formally reaffirmed its commitment to LVT "in the long term" as recently as 2007—in a government of one of the G8 economies, ought to be significant for Georgists worldwide.

So how committed might Huhne, Cable and Clegg now be to LVT?

In his 1990 Penguin-published *Real World Economics* (sub-titled "Essays on Imperfect Markets and Fallible Governments"), Huhne accepted that taxes on property are more progressive than those on income and profits. He also had a section on "the merits of the land value tax", in which he explained how property markets fail when economic rent isn't collected, as well as how such failure has macro-economic consequences. In his foreword to my own *Location Matters* (2007), he again wrote: "Neither the property market nor the tax system are fit for purpose in the modern age without a carefully constructed land value tax".

Cable, like Huhne, is an unabashed believer in market economics. In his 2002 pamphlet for the Centre for Reform, *Regulating Modern Capitalism*, he quotes from his party's 2001 Manifesto: "Liberal Democrats are committed to a free market economy in which enterprise thrives". As Party spokesman for industry and treasury affairs, he has consistently

sought to reduce tax burdens on enterprise and to tackle the natural monopoly of land through taxation. He was very firm in his warnings about the dangers inherent in using property (i.e. land) value as loan collateral. He was nicknamed Dr Doom for predicting the collapse of the property bubble before

most UK pundits.

In his Institute for Fiscal Studies annual lecture 2008, he said: "Property taxes have a role in modifying cyclical instability, notably business tax bands on land values." This accorded with the first draft of the Party's 2007 tax policy paper, where he argued for a "National Property Tax", including residential as well as commercial land and noting that the proportion of an average new house price attributable to land rose from 13% in 1965 to 60% that year.

In the foreword to ALTER's 2009 *The Case for a New People's Budget*, Cable recognises that LVT is "not just another property tax", acknowledges that party policy to introduce it just for commercial property is "only a first step" and chastises the New Labour government for failing to produce practical schemes to mark any claim they might have to inherit Lloyd George's mantle.

Unlike Cable and Huhne, Clegg was never a career economist. Rather he is an extremely shrewd and likeable, intelligent politician. Like them, he is regarded as a sound 'economic liberal' by instinct, which helps make him more comfortable in a centre-right Coalition than the Party's new Deputy Leader Simon Hughes—another LVT supporter, although not part of this government. Since becoming elected Leader, Clegg has understandably deferred on economic matters to Cable, whose reputation soared since his few weeks as Acting Leader coincided with the start of the global



financial meltdown.

"Cleggmania"—the extraordinary impact on public opinion poll figures for the Lib Dems of the first televised leaders debate in the general election this year, led to the eclipsing of Cable and a rise in pulling power of Clegg's economic pronouncements. It is not known to what extent the close relationship the two men had during the development of party property tax policy may have weakened.

Clegg's portfolio in the Coalition Government (reform of the British Constitution—always a vague concept, since nowhere is it written down) leaves him little scope for interfering in the nation's financial affairs. He has begun to seem far too comfortable for the liking of some Lib Dems with the 'savage cuts' that his Conservative-led Government is now planning.

Prior to the election, it was known that both Cable and Huhne often read emails that circulated among ALTER committee members. Comments occasionally came down from 'on high'. Since entering Government, almost all their parliamentary staff have been moved and the 'great leaders' themselves have been left in peace to master their new ministerial briefs. The expectation has been that lobbying from ALTER would, at this early stage, be counter-productive.

Coalition is a new experience for all British—or rather specifically English—politicians, unless they have been councillors. Scotland and Wales have had Coalition government more often than not since devolved Parliament and Assembly were created in 1998. The rise of Lib Dems to a near-even share of votes in local elections in England has meant that local politicians are very familiar with the wheeler-dealing of coalition politics. However none of the Lib Dems in this Government have any local government background.



What we are learning in Britain is that when a Coalition is formed nobody's detailed policy package can be regarded as that government's

'blueprint'. Party policy experts are more obliged than ever to seriously study the policies of others—not just of their coalition partners but of many outside organisations. Whilst Coalition isn't a 'clean slate' situation, the excuse that "we never said we'd do that" cannot wash when dealing with sensible evidence-based ideas from beyond one's own party. Fusion of ideas and policies becomes the order of the day: a refreshing concept to much of the public, which often cries out for 'the best' people and ideas to come together for the common good.

This is especially so during a crisis of trust in politicians and their craft—and in global financial systems.

Few commentators expect the Coalition to be able to deliver the 25% cuts in public expenditure promised by George Osborne's first Budget—which he himself has admitted was "the easy bit" of the plan to cut the structural deficit by half in one Parliament. The only alternative to cuts is increased use of tax as a fiscal instrument. Rises in conventional taxes are anathema to both Coalition parties. Tax shifting is already the main plank of Lib Dem tax policy, although 'full LVT' was a step too far for them in the very different economic circumstances of 2006/7.

The hope for ALTER is that an approach by senior Lib Dems to colleagues on the Conservative side, in the months leading up to this autumn's Spending Review (where cuts to public services must be spelled out), might include "How about a Land Tax? It's worth £10bn a year in 'saved' deadweight taxes!" We know that Treasury tax officials are persuaded of the macro-economic arguments already. We know that even some Tories acknowledge its advantages, since their centrist Bow Group endorsed a policy paper that included LVT when their Party reviewed its tax policy in 2006. There are 30 LVT-supporting MPs in Her Majesty's Opposition, backed by the Cooperative Party (which endorsed LVT this year)—and there is Britain's first Green Party MP supporting it too.

The big question therefore is: can LVT become the policy which Lib Dems can sell to their Conservative allies as a means of staying in power through to the end of this 5-year Parliament? ALTER believes that LVT can



technically be implemented within that time frame—but there is not much more than 6-9 months in which Government needs to make the in-principle decision to do it. Will the fear of electoral defeat loom large enough to the Tories by then for any Bow Group aligned 'modernisers' to combine forces with Lib Dems and other LVT-supporting Parliamentarians to achieve this historic goal of liberalism?

Some Liberal Democrats of an 'ALTERnative' persuasion believe the Conservative Coalition—between that party's entrepreneurial free marketeers (potential allies of Georgists) and rentier monopolists (of The City of London, not The Shires)—could break before the Lib/Con Coalition Government falls apart. We saw, in the 1980s, how the Social Democrats abandoned Labour to join the Liberals and form the Liberal Democrat Party. We saw smaller numbers of pro-EU Conservatives drift across to join us in the 90s and 'noughties'. We live in hope that enough 'caring Conservatives' and 'Green Tories' will 'see the cat' when our Lib Dem colleagues in Government draw it for them.

When George Osborne introduced his 2010 Budget, was his "new model of economic growth" and his "enterprise led recovery, which rewards enterprise" using words that Cable (via Clegg) had suggested? Was he presaging the collection of economic rent as public revenue, as he promised to protect capital spending on infrastructure from his planned cuts?

ALTER's President and Vice Presidents may soon be earning a place in Georgist history. But I would not bank on it—yet. **L&L**

Letter from Australia

In a new series we present correspondence from readers and HGF supporters around the globe. Here **Dr Gavin Putland** takes a look at Australia's taxi plates



THE HENRY report, being the final report of the Treasury's review on "Australia's Future Tax System", was delivered to the Government on December 24, suppressed until May 2, then released together with the Government's response, which buried almost all of the report's 138 recommendations. The most celebrated exception was the onshore resource rent tax, which the Government foolishly rebranded the "resource super profits tax" (RSPT). And the most emphatically rejected recommendation was a land value tax with (eventually) no exemptions, and a threshold specified in terms of the value per unit area.

But, having waded into the compensation controversy in my recent presentation at the IU Global Conference, perhaps I should exhume recommendation 66, whose last sentence is: "Quantity limits on taxi licences should be phased out."

All Australian jurisdictions except the Northern Territory raise revenue by selling taxi "plates" (licences) in artificially limited numbers. The plates are analogous to sites, except that their supply is limited by governments rather than by natural laws, so that the sale proceeds amount to a tax. High prices of plates, and high rents charged by non-driving plate owners (absentee landlords), cause taxi fares to be up to 25% higher than they would be with unrestricted numbers of plates (analogous to unlimited land, if that were possible). The burden falls disproportionately on those who spend the highest percentages of their income on taxi fares, namely the poor and disabled.

I quote from Section E3-4 of the report: "Abolishing the tax would mean retaining only those restrictions on taxi licences that relate to safety and service. This would see the value of plates fall nearly to zero...Some of the financial return plate holders earn reflects the risk that current arrangements may change, so whether they should be compensated at all is an open question."

Cop that, Herbert Spencer. But then the report immediately adds: "There is no doubt, however, that it would be far better for society to cash plate holders out using revenue from other taxes rather than to retain the highly inefficient taxi tax."

Cash for what? When the Northern Territory opened up its taxi industry in 1999, holders of existing plates were compensated at

Edward J. Dodson's Cooperative Individualist View



current market value. The Henry report says more vaguely that plates could be “bought back”, and floats the idea of uncompensated gradual implementation “by imposing a price ceiling on the price of new taxi licence plates that reduces over time, triggering the automatic release of new plates.” It does not explicitly consider compensation for the cost of acquisition.

A 1999 paper by the Productivity Commission [WWW.PC.GOV.AU/RESEARCH/COMMISSIONRESEARCH/TAXIREGULATION] had no such inhibition, concluding that: “Governments could also consider the merit of capping compensation payments based on...the net present value of the stream of income given by the current lease rate; or...the purchase price of plates (indexed to the consumer price index).” That paper referred to a 1994 report by the Industry Commission, which rejected compensation for the purchase price only, on the curious grounds that it was too complicated and that all plate holders suffer the same loss regardless of when (and hence at what price) they bought their plates. This finding contradicted the submission by the Northern Territory, which said that “compensation should be restricted to those licensees who have recently entered the industry...This will avoid a windfall gain to those plate holders who have been in the industry for some time and have covered the cost of their plate many times over.” But the same jurisdiction, with the same party in government, went on to deliver that same windfall gain.

Dr. Gavin R. Putland
Director, Land Values Research Group
Prosper Australia

In the last issue of *Land&Liberty*, I suggested that under Liberalism (as well as Social-Democracy or Democratic-Socialism) cannot exist.

There are essentially five important theoretical forms of socio-political systems. Liberalism operates to a greater or lesser degree under policies associated with either cooperative individualism or state socialism. The greater the policy emphasis on security (i.e., order), on redistribution, on policy driven economic activity, on the use of manmade law to control individual behavior, on centralized authority and on representative (i.e., delegated) democracy, the stronger will be the pull toward a system of state socialism. Conversely, policies adopted in the direction of maximizing individual liberty, natural distribution, market economic relationships, ethical constraints on behavior, decentralized authority and maximum citizen participation in government, will pull a society toward cooperative individualism.

Movement too far to the left in these policy areas supplants liberalism with harsher forms of state socialism and, potentially, totalitarianism. Policies implemented beyond the bounds of cooperative individualism pull societies into what are historically uncharted waters; there, human nature collides with the degree of cooperation and selflessness demanded under communitarianism or anarchy.

An important point to take notice of is that socio-political arrangements allowing natural law to freely operate may create equality of condition but cannot generate equality of opportunity. Only cooperative individualism (by prohibiting sanctioned inequalities to occur) establishes the conditions necessary for equality of opportunity to flourish. This is accomplished by protecting individual liberty against the criminal and economic licenses alluded to by John Locke generally, and with greater specificity by Tom Paine.

Another important characteristic of cooperative individualism is that the natural distribution of wealth to its producers be protected by the positive law. Such laws will clearly distinguish between production and values attributable to privilege held in the form of titleholdings to nature and licenses restricting open commerce and trade.

Labor, applied to land (i.e., nature) produces wealth. This describes the distributive process for legitimate individual property. Wealth belongs to its producer. Titleholdings and licenses are privileges, the exchange value of which is created by the nation's willingness to uphold these claims to privilege. Therefore, this form of value (if permitted to accrue to the titleholder or licensee) is by definition unnatural property. To the extent that government fails to collect these values for the benefit of the entire nation, the nation suffers from a redistribution of wealth—from producers to those who simply claim what is produced on the basis of privilege.

Cooperative individualism works on behalf of liberty by maximizing citizen participation in government and by preventing monopolies in both property and political power. As a result, much of the societal conflict associated with other socio-political systems is mitigated by the high level of cooperation generated when individual initiative is rewarded in direct proportion to the effort expended.

History and our common sense direct us to cooperative individualism as the only means to secure for ourselves and future generations the benefits of a fundamentally just society.

Introducing Location Value Covenants

Introducing a Land Value Tax might not be the only way to collect the economic rent of land. Here, **Dr Adrian Wrigley**, suggests an alternative: Location Value Covenants

THE LOCATION Value Covenant (LVC) is a startling and simple idea for tax and welfare reform. The concept breaks away from using state coercion to force simultaneous reform across a nation. In place of tax compulsion is consent, contract and the market mechanism. In these respects, it is the antithesis of conventional tax or welfare reform. LVCs minimise economic turbulence and financial instability by avoiding windfall gains or losses. An LVC places a legal obligation on the owner of a particular plot of land to pay a specified sum of money regularly to a specific public body. Nothing more, nothing less. It is the simplest and most direct means of transferring the economic rent of land for public purposes. In English legal systems, the LVC would be a covenant with the following key features: It runs with the land in perpetuity, it requires payments to a named public body by the owner in due course, it specifies an initial payment amount and date, it specifies subsequent dates and amounts and the payments are adjusted in line with a specified formula or index.

The obligation to make each payment is on the registered owner of the land at the time the payment is due. The payment would normally be to a city, regional or national government responsible for supplying services to the land concerned or to a body responsible for collecting and distributing the payments.

Ideally, the index represents local site location annual values. By fully specifying the payments, LVCs are relatively immune from political interference, giving a stable, predictable revenue stream to government while reducing payment risk to the owner. LVCs would be published, helping ensure transparency. One way of looking at an LVC is as a kind of Land Value Tax (LVT) specific to the particular plot. Another way is as an interest-only, index-linked perpetual mortgage tied to the site.

Failure by the owner to pay the specified sum would be a breach of the LVC. The beneficiary would be able to use existing legal procedures for debt recovery, up to and including a forced sale of the land and fixed property. Failure to pay would not be subject to criminal sanctions.

Since land with an LVC is financially burdened, it will fetch a lower market price than land otherwise. Only the legal owner of the land is entitled to create an LVC—and it

must be voluntary. The immediate reduction in the asset price must therefore be matched by a corresponding benefit or inducement to the owner. This benefit is governed by a contract with fully negotiable terms.

The LVC opens new opportunities for reforms based on contract law and consent. Attempts to base reforms on changes to the tax system are by their nature imposed without individual consent and often require compromises and transitional measures. This created the political logjam that has led to the gradual economic failure of tax systems worldwide. The perceived losers in any tax reform work tirelessly to compromise or block any changes. Politicians are funded by selfish interests looking to exploit the tax system.

By using contract law for tax reform, it is possible to overcome the political logjam. Rather than trying to force universal changes in tax obligations, people can be offered the opportunity to contract-out of existing taxes using the “currency” of LVCs. A taxpayer simply does a deal with the taxing authority to leave existing taxes behind. If the person and the government both benefit by the deal, it can go ahead. It is a market-based approach to tax reform and overtly accepts that the current systems are misguided and wasteful for all concerned. Our crumbling tax and welfare systems must now be viewed as obsolescent.

The flexibility and scope of the LVC with suitable contracts is illustrated by the wide variety of applications. A simple deal to create an LVC involves swapping out an existing property tax. For example, a home owner in Cambridge might currently be paying an annual property tax of £1500 (Council Tax) to the local council. The owner offers to create an LVC payable to the council in exchange for the council ceasing to collect Council Tax on the property. To proceed, the council and the home owner have to enter a contract beneficial to both sides. This will usually be possible, even though the benefits may be modest. In general, the initial payment under the LVC will be comparable to the tax which it replaces, and linked to a suitable index. The deal is effective once the contract is signed by both parties and the owner signs the covenant.

The payments are not linked to the number of occupiers or their circumstances, reducing paperwork and scope for fraud. Both sides benefit from stable payments without the risk

of political manipulation of bills. The owner has the full incentive to make best use of the property, since there is no discount when empty nor penalty for improvements.


Most countries have multiple taxes and welfare connected with property. In the UK, there is Council Tax, Uniform Business Rates, TV Licence, Stamp Duty, Council Tax Benefit, Housing Benefit, Income Tax on lettings and Capital Gains Tax. Each of these has its own rules and burdens. By creating a bundle of benefits in exchange for an LVC, an immediate and dramatic simplification can be achieved for a property's owner and occupiers. A basic package should aim to settle all these property linked taxes and also eliminate future welfare payments for the property. The contract is extended to discharge liability to each payment and the LVC's initial payment amount is adjusted to a level acceptable to all parties. This tax consolidation results in just one regular payment, independent of changes in circumstances—the marginal rate of tax (with occupancy or home improvements, for example) is zero.

Beyond substituting property taxes, LVCs can facilitate restructuring of the banking and monetary system, housing finance, general taxation and welfare. Emergency reforms are essential to prevent catastrophic breakdown of these systems. Top priority is the voluntary settlement of mortgage debt in exchange for LVCs, paid for by the issue of special debt-free, interest-free Treasury Notes, thus reclaiming the sovereign right to issue money from the banks.

LVCs overcome key disadvantages of LVT for public rent collection. They do not need full land registration, site valuation, nor even necessarily primary legislation. They minimise economic turbulence and can be easily trialled and adapted. And they remove the revenue collection from political interference and manipulation. By avoiding compulsion, they eliminate the winners and losers of lump-sum equity redistributions like LVT.

While the public may find particular LVC deals simple and appealing, campaigners for monetary reform and for LVT sometimes find the underlying principles alien to their thinking. Of particular concern is that it does not seize land rent from the biggest landowners—a separate law could do this.

Location Value Covenants offer the simplest way of directly collecting land rent for public purposes. They combine the best characteristics of taxation and mortgages in a debt-free, contract-based instrument. They are a basis for rapid and flexible solutions to seemingly intractable problems reforming public finance, banking and monetary systems. They overcome the key challenges which have kept LVT on the fringes of debate. Once you understand the advantages to all concerned, the question posed is “why should anyone stand in the way?” Isn’t it time taxpayers asked for a better deal? [L&L](#)



	LVT	LVCs	Mortgages
<i>Beneficiary</i>	government	government	<ul style="list-style-type: none"> • bankers • shareholders • borrowers
<i>Lifetime</i>	perpetuity	perpetuity	until sale or repayment
<i>Creation by</i>	legal imposition	consent	consent
<i>Uniformity</i>	same everywhere	sites differ	sites differ
<i>What adjusts payments</i>	<ul style="list-style-type: none"> • site valuations • politicians 	land value index	bankers
<i>Legal basis</i>	<ul style="list-style-type: none"> • new tax laws • property taxation 	<ul style="list-style-type: none"> • existing contract law • covenants on land 	<ul style="list-style-type: none"> • existing contract law • secured debt

Henry George's View on Money

In a timely investigation into the true nature of money, **David Triggs** explores Henry George's views

RECENT EVENTS in the world of government, money and banking have demonstrated an appalling ignorance by those charged with managing the nation's money supply.

The media have been no better. The economic problems are assumed to hinge around monetary issues—but nobody now seems willing to be clear what money actually is and how it is created.

Thirty five years ago the renowned economist John Kenneth Galbraith, in his book 'Money—Whence it came, where it went' provides a possible explanation. He said: "The process by which banks create money is so simple that the mind is repelled. Where something so important is involved, a deeper mystery seems only decent." He was referring to the way that banks create money by lending money they do not have. Having lent it, it becomes a deposit in the account of the person or firm that borrowed it and, Hey Presto!—it is regarded as a financial asset. This, the famous, but rarely mentioned 'money as debt' issue, is why the supply of money has got out of control, and why governments thought they could control the money supply by controlling the interest rate.

Nearly a hundred years before Galbraith, Henry George addressed the money issue and his findings should be studied by anyone attempting to deal with it today. First, he was clear about the primary function of money, next he took the trouble to distinguish: (a) between money and wealth, (b) between money and credit, (c) between money lending and credit, and (d) between money creation and money circulation. Having clarified these points he was able to identify the duty and role of government with regard to money, and the legitimate business of banking.

George held, as he said any five-year-old would tell us, the purpose of money is to buy things with i.e. it is a medium of exchange. Essentially the only value of money is 'in exchange'—it need have no value 'in use'. As money becomes the 'most exchanged' of all things it becomes the most common measure of 'value in exchange'. The value of all exchangeable or traded things may thus be measured in money units.

He was clear about the need to distinguish between money and wealth. Money is not wealth although it may be exchanged for wealth. Wealth is tangible, money is intangible. Whilst the true nature of money is abstract,

over the ages it has taken many tangible forms e.g. shells, metals, coin, paper notes and tokens of debt etc. It is in essence, however, distinct from any and all the forms it may take. In addition to being generally accepted in exchange for goods and/or services money needs to be somewhat difficult to come by. This is because its value depends upon the difficulty associated with acquiring it. Note here it is the difficulty of acquiring money that is significant not any difficulty associated with producing it that matters. In contrast the value that attaches to an item of reproducible wealth is directly associated with the difficulty (i.e. labour) of producing the like again. Thus George asserted that the value of ordinary wealth comes from production whilst the value of money comes from obligation—the obligation, as with land, that everyone is under to use it. Some rare items of wealth e.g. an artistic masterpiece may derive its value from both production and obligation.

Simple credit arises when one individual (or group) agrees to postpone collection of payment from another individual (or group) to bridge the time gap between the commencement of a productive venture and the completion of a saleable product. The most common examples are where employees give credit to their employers by agreeing to be paid in arrears and where suppliers allow for a settlement period. Such credit requires knowledge of, and confidence in, the other party, it does not generally work between strangers and the transaction is not complete since a debt remains. This may be contrasted with the situation where money is used—transactions are complete and no debt remains.

Although employees and suppliers are the most common providers of credit they are not the most widely recognised as such—banks



are. Banks specialise in credit and may provide it to a producer if the bank believes the debt will be redeemed from new wealth that the producer is thereby enabled to produce. In this credit becomes an alternative means of accessing real capital i.e. wealth used to produce more wealth.

If money is not wealth it cannot be capital or a store of wealth. It is however commonly regarded as a store of value. Clearly where money is stored it cannot circulate or perform its primary function as a medium of exchange. Here we may see the importance of distinguishing between credit and money. Clearly credit and debt can accumulate and thus become a means by which claims on wealth may be stored. Wealth itself may also be stored (e.g. as commodities, gold, diamonds, works of art, artefacts or buildings, etc.).

The mortgage provider and the pawnbroker

are the two examples of money lending that most people will be aware of. Here money is lent against a lien on property. If the borrower defaults, the property (or part of it) is forfeit. For the pawnbroker or the building society the money lent will be money that is already in

will generally be accepted in exchange for goods and services or redeem any obligation or debt. Ultimately the confidence has to be in the honesty and integrity of the body that issues and controls the amount of money in circulation.

Henry George points out how..."These obvious considerations have everywhere, as society became well organized, led to the recognition of the coinage of money as an exclusive function of government."

George does not ignore the fact that such power has been abused in times past as monarchs and governments have sought to enrich their exchequers by such practices as clipping and debasing their nation's currency. Rather he regards the transparent risks involved in governmental abuse, where they have direct responsibility for the issue of currency, to be less than those that attend the more obscure regulation of private individuals and groups, who are granted such a privilege.

George considered it wrong and dangerous to permit individuals and associations (i.e. private banks with a pecuniary interest) to issue money. He argued that doing so

had a corrupting influence on government (due to the need for regulation) and occasioned a substantial financial loss to the general population. No doubt recent events concerning the regulation of banks and financial institutions by government agencies would have reinforced his concerns and provides much evidence to support this view.

George concluded that the issue of money and the control of its supply is the exclusive business of Government.

The legitimate business of banking is limited to the safe-keeping and loaning of money, and the making and exchange of credits.

Under current arrangements it would seem to be impossible to distinguish between Bank created money based on debt and money issued directly by government. They merge as one. If George's idea of government issued

money (legal tender) being strictly and directly under the control of government were to be implemented, a clear separation would be required. It is not too difficult to envisage a situation where bank-created tokens of credit denominated in money units could be exchanged for legal tender at something other than a one for one basis. Most of us are already familiar with a working model—the daily use of both debit and credit cards and their associated accounts.

One could envisage a situation where all payments to and from the government would only be permitted in government issued money (plastic, digital and paper) and how all this money would be registered just as bank notes already have an ID code attached. They could also have a limited life to ensure their circulation rather than storage.

Maybe the nation would not need all that much of this money to do its primary job. The value of the bank notes in circulation at present is, according to the Bank of England, around £50 billion. If, as seems likely, each note could be used at least twelve times a year i.e. compatible with the normal monthly interval between payments of salaries and accounts this would enable $50 \times 12 = £600$ billion worth of trade to be carried out using these notes. Since this represents around a third of the current GDP, would a mere tripling of government issued money, which currently represents between 2% and 3% of the broad money supply, be sufficient to enable all genuine trade to be carried out? Would we then see more clearly what the remaining 90% plus money has been created for? [L&L](#)



circulation. A mortgage from a bank however may be quite a different matter, and is the most well known example of the 'money as debt' system referred to earlier. Banks have a massive usurious incentive to exploit the licence they have been given to create money in this way. Such money is not created and put into circulation in response to a need to facilitate more production (including trade) but merely to enable land (which nobody produces) to be bought and sold. The more this money becomes available the higher the price of landed property and the more debt there is in society. Where the wealth must come from to fund the so-called interest payments is another story.

Unlike a token of credit, where its value derives from a confidence in production, the value of money does not come from production but rather from a confidence that such money



I am sure that everyone reading the **Land&Liberty**, editor's letter in the Autumn 2009 edition will agree with the statement: "Fiscal reform that returns community-created value to the exchequer is the way forward." You were good enough to print my review of "The Spirit Level" in the last edition. However, quite properly, you omitted my final paragraph because this was technically not part of the review but included my proposals for actions needed to deal with the necessary fiscal reform. It reads:

"There is no silver bullet. We must support those struggling to deal with the downstream problems created by our unequal society but, most importantly, tackle the upstream solutions which are available. In consequence, we should be prepared to pursue issues at the basic level by improving the unsatisfactory fiscal and monetary system. Let us therefore support a high pay commission, recognise the need to eliminate tax havens, tax avoidance and evasion, press for a Tobin tax, and insist on effective regulation of the banking sector and the separation of retail from investment banks. Indeed, strong support is developing for the introduction of an annual land value tax to reduce taxes on labour and enterprise and thus ensure a return to equality, avoid further economic crises and provide the funds for investment in new green economies. Let us all strive together to protect our future."

What I would like is a debate among your readership on this issue. Do readers agree there is no silver bullet in the current economic climate? Do they accept that there are measures other than LVT that need to be implemented? Do they agree that political pragmatism is necessary

to go alongside the principles espoused by the Henry George Foundation? I hope some readers will join the debate.

John Lipetz

More Economics Tutors Needed

Alongside the spring edition of *Land and Liberty*, the Editor encouraged me to send out a letter of invitation to HGF members to consider teaching Georgist Economics at the University of the Third Age U3A.

Five people responded to the call and it looks as though at least two new courses may get started in the autumn. You will recall that the basic idea was for potential tutors to join their local U3A (i.e. The University of the Third Age), and offer to teach Economics. In particular to teach the economics as propounded by Henry George. This approach has the advantage that the local U3A will publicise the course and arrange the enrolment of students as well as provide the necessary accommodation. Time was of the essence if we were to get the publicity embedded in the U3A's annual course brochures for the September term.

Five people may sound rather a thin response, but it is a start, and we can learn from the experience. If the planned courses in West Molesey and Epsom come to fruition, then, together with the courses in Guildford and Woking, which I already tutor, we will have doubled our impact.

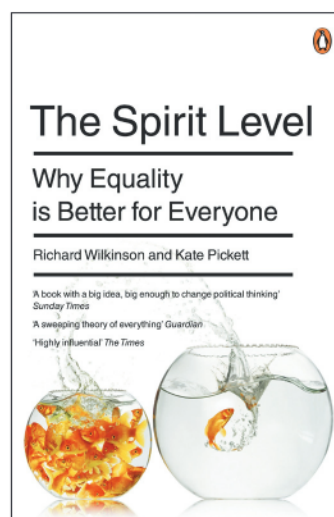
There are 761 U3A's in the UK with nearly ¼ million members so it is a rich field for us to 'plough'. So please begin now to

think about the idea of becoming a U3A economics tutor next year.

It is worth remembering that Henry George did not just tell us to 'tax the value of land', he also gave us a structured set of ideas about how societies work economically. In doing so, he explained why slumps and booms occur, why there are high levels of unemployment, and the true nature of unearned income. In addition he showed us how to live in a free society without limiting

Teaching such material can be very rewarding. But we must get on with it, time may be shorter than we realise. Why? Well, part of the reason seems to be that land values have been rising (on average) at about 4% p.a. while wages have been rising at 2% p.a. This will lead to an imbalance with more and more people living off rent and less and less creating the real wealth of which rent is a part. Clearly, a pathway to self-destruction.

Ray Ward



the equal freedom of others. Since George's day we have learned, through the work of professor Tideman and others, just how inefficient and wasteful are the economies of nations who reject these ideas.

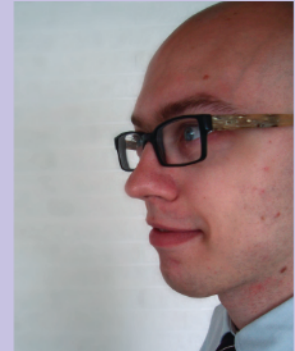
It seems to me that many Georgists have a gut feeling that adopting land value taxation would have powerful social effects. For example, there would be less crime, happier and better educated people, with better health and more mutual trust. All these things and more besides have now been shown to be factually true. I strongly recommend that you either read "The Spirit Level", reviewed in **L&L** (1227) or go to www.EQUALITYTRUST.COM on the web.

Mansion Tax—a Step in the Wrong Direction

For 150 years the Land Value Tax movement has proclaimed that one of the main benefits of the system is that improvements are not taxed. I therefore find it difficult to comprehend why the Liberal Democrats think that a Mansion Tax is a good idea, let alone a 'crude form of Land Value Tax' as suggested by John Howell in his letter in the Spring issue.

Such thinking only serves to confuse the essential message and undermine the principle of collecting the annual rent for public revenue.

Furthermore, the idea that the MT tax can be used to increase the personal income tax threshold and put £700 in the pockets of the lowest earners only serves to compound the error. Surely we are all familiar with Churchill's account of what happened to rents when the toll-bar on a bridge over the Thames was lifted. Sooner or later the State handout will be absorbed in



Lars Rindsig's View from the Right

higher rents and house prices.

A system of Land Value Tax will benefit all citizens—rich and poor alike.

A 'bricks and mortar' Mansion Tax will only serve to antagonise the wealthy and give false hopes to the poor. It will neither help our cause nor advance the fundamental tax shift that Georgists all over the world are striving for.

Michael Hawes
Newark, England

In your issue for Spring 2010 John Howell (p.18) praises Vince Cable's Mansion Tax: "MT is to be an annual tax based on the market value of large single-family domestic properties." These are properties valued (how? by whom?) at more than £2 million.

In the same issue David Triggs (p. 10) laments people's failure to "see the difference between land value and the value of buildings".

But surely the Mansion Tax commits just this fundamental error by being based on the value of "properties"; ie, land and buildings. The resulting confusion is likely to do considerable damage to our cause.

In the same magazine there is Ray Ward's brochure Facing the Roadblock. On pp. 3-4 of that brochure Mr Ward warns us that "...we are not sure how the sums work out and until we can show clearly that they would benefit, comfortable retired people living in their own homes will see us as cranks trying to upset their apple carts. So again we need to do the research."

I couldn't agree more.

Robert Ilson
London, England



Community Chest

Delighted to see your article on Monopoly (*L&L* 1227). How is it that people do not see the connection with cutthroat capitalism, as the game closes with a sofa of glum people who have lost everything and a capitalist with a fistful of the earth's resources? I have a copy dated 1909, the year of the People's Budget with Lloyd George on the picture on the box. I have used it often to illustrate Henry George when I have given a talk and am willing to lend for that purpose.

Alan Laurie

The other day I saw someone selling an American pulp paperback on the internet. The title pertained to 12 Chinese men in a boat who "hadn't seen a woman in six weeks" and a woman they were about to do unspeakable deeds to. Add to that, judging by the back cover blurb, plenty of fist-fighting and an all-caps warning "NOT FOR THE TIMID READER!", you get an inkling of what you're in for. Not high art—but, I expect, a representative example of the 'Yellow Peril' theme seen in American (and Western European) culture in the decades before that. Indeed, Henry George expressed some equally less-than-refined views on Chinese immigration himself.

Today we don't hate the Chinese. We don't even hate the Communist oppressors who run the country and their murderous disrespect for human rights or human lives. We don't fear China—instead we buy Chinese goods and go to China on exotic holidays. Or, well, we did, back when we could afford it—before the bust.

But for some time now, the evil, conniving 'Chinaman' of the pulp literature of yore has been able to, one imagines, enjoy a bit of a belly-laugh while slave girls braided his jet-black hair: Western debt to China is of rather unimaginable proportions and the Chinese economy has thrived. So maybe we should be scared of the Chinese?

As *L&L* emphasised in our autumn 2007 issue, in which we predicted the current economic crisis, the economies of the Far East would live through the exact same process of bubble and burst as Western countries have.

Over the last couple of years, property prices in China have sky-rocketed. Two years ago, the average price of a flat in central Beijing was £225/sq.ft. Today it is £635. That's nice if you're selling—and it's a particularly lovely topic to discuss over dinner with friends if you're a bit middle-class. Average house prices are up 73.5% since 2009, and the property market constitutes a major part of the Chinese GDP. An unhealthily large part, even—because, as they say, what goes up must come down.

Because with the Beijing minimum wage being around £89 a month, you don't—not really—have to be a world-class economist to figure out that most people are beginning to simply not be able to afford the prices asked. And we know what happens then: properties aren't selling; prices go down; economy goes bust. We've seen that before.

The Chinese government has tried to avoid an impending crisis. Its measures include mandatory down-payments of 30% of the sale price. (It's 50% if it's your second home, and 100% if it's your third, based on the assumption that by then you're probably using the property for speculative purposes). Of course, sound economics has never exactly been the hallmark of the Communist Party of China but it's a fair go. But since it is estimated that between 30 and 50% of properties in the centres of major Chinese cities are empty and only used for speculative purposes (or put into different figures, 90% of all properties sold since mid-2009), some heavy-duty economic change is required.

No such change is likely. Not in China, and not in the West. And, sadly, that means that in 16 years it will be 'told you so' all over again—with ever more tragic consequences.

Our Philosophy



What is Land & Liberty?

Land&Liberty, a quarterly magazine published by the Henry George Foundation, has chronicled world events for over 100 years. Dedicated to promoting economic justice along lines suggested by the American writer, social reformer and economist Henry George, it offers a unique perspective to stimulate debate on political economy with its reports, analysis and comment.

Who was Henry George and what is special about his ideas?

In 1879 George published one of the best-selling books on political economy ever written, *'Progress and Poverty'*. By the twentieth century the wisdom he expounded was recognised and supported by many of the world's most respected thinkers including, Tolstoy, Einstein, Churchill, Keller, Shaw, Huxley, Woodrow Wilson, Stiglitz, and Friedman. Today, as the world faces environmental and economic crises, we believe George's philosophy is more relevant than ever. But, as George foresaw in *Progress and Poverty*, and is 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."

Today Henry George is mostly remembered for his recognition that the systems of taxation employed in his day, and which continue to dominate fiscal policy in the UK and throughout the world, are unjust, inefficient, and ineffective.

He saw how taxes discourage wealth creation, positive economic activity and employment and prevent people and nations from realising their full potential. By ignoring property rights they involve theft and encourage dishonesty and environmental abuse. In short, as a method of raising public revenue, they fail. By offering an alternative, George also showed that taxes are unnecessary.

George realised that some land at particular locations acquired a value that was not due to the actions of any individual or firm but was due to natural influences and the presence, protections and services provided by the whole community. He saw that this value grows as the need for public revenue grows and is sufficient to replace all existing taxes. This could be collected by levying a charge based on land values and is commonly referred to as land value tax or LVT. However, George was clear that this is not actually a tax but is a rental payment individuals and groups need to pay to receive exclusive use of something of value from the whole community, i.e. the exclusive possession of a common, limited and highly-valued natural resource.

Henry George's ideas were not limited to his proposal to change taxes. His

profound body of theory also included issues such as: the difficulties inherent in the study of political economy, the fundamentals of economic value, a proper basis for private and public property, trade, money, credit, banking and the management of monopolies.

Key to 'the truth' that Henry George tried to make clear is that every thing is bound to act in accordance with the laws of its own nature. He saw that these laws of nature operate everywhere, at all times, and throughout a creation that includes man and society and the worlds of body, mind and spirit. Further, that people and societies can only behave ethically and succeed in their own designs where they take proper cognisance of, and act in harmony with, those natural laws.

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