

LAND & LIBERTY

since 1894

Restoring a timeless idea...



*Crucial
Small Steps*

“

I CARE NOTHING FOR
CREEDS. I AM NOT
CONCERNED WITH ANY
ONE'S RELIGIOUS BELIEF...



LAND&LIBERTY

No 1240 Summer 2017

PO Box 6408, London, W1A 3GY
+44 (0) 800 048 8537
editor@landandliberty.net

Editor
Joseph Milne

Managing Editor
Jesper Raundall Christensen a-m-m

Graphics and Production
Jesper Raundall Christensen a-m-m

Publisher *Henry George Foundation*

To receive Land&Liberty or support the work of the Henry George Foundation contact us at the address above.

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. Land&Liberty - putting justice at the heart of economics.

Copyright in this and other Land&Liberty publications belongs to the Henry George Foundation, which welcomes approaches for the reproduction of articles. However reproduction is prohibited without prior written permission of the copyright holders. No responsibility will be accepted for any errors or omissions or comments made by contributors or interviewees. Views expressed are not necessarily those of the publishers. Goods and services advertised are not necessarily endorsed by the publishers. Land&Liberty is produced by the Henry George Foundation and printed by Premier Print Group on 100% recycled paper.

ISSN 0023-7574



The Henry George Foundation is an independent economic and social justice think tank and public education group with offices in London and members throughout the UK. The Foundation deals in cutting-edge ideas, exploring and promoting principles for a just and prosperous society and a healthy environment.

The Henry George Foundation of Great Britain is a company limited by guarantee, registered in England, no. 00956714, and a charity registered in England under the Charities Act 1960, no. 259194.

www.HenryGeorgeFoundation.org

message from the honorary president

In the Government's recently published "Taylor Review of Modern Working Practices: Good Work", issues surrounding the taxing of labour are considered. The problem, according to Taylor, lies in different amounts of tax that people pay depending upon how they are employed, either as employees, self-employed, company owner-managers, or in the "gig" or "black economy". He suggests that all labour income should be taxed similarly, regardless of how it is acquired, and that "this would be economically more efficient and fairer, as well as ensuring that tax receipts are sustainable." His conclusion is that since pay as you earn (PAYE) seems to work well for most workers (employees), something similar should be possible for the rest. In advising the Government of Mrs May, who commissioned the review, he says that whilst such a move would not be easy or uncontroversial, he "would encourage the Government to raise public awareness of the issue and engage in debate with stakeholders about potential long term solutions". A contribution to the debate that those familiar with the land value based fiscal reforms that Henry George advocated might run as follows.

We can show how taxing labour and the products of labour are inherently unjust, inefficient, and ineffective. They discourage wealth-creation, positive economic activity and employment, involve theft, encourage dishonesty and environmental abuse, and are unnecessary. In short, they prevent people and the nation from realising their potential. They reduce the earnings of those who live by their labour and increase the price of all the goods and services they buy. None of these consequences follow where the rental value of land or location is collected as public revenue for the benefit of all, rather than becoming a source of unearned income for some.

This is because the viable rental value of a marginal site where someone employs their labour to produce something for sale cannot be more than their net revenue. This net revenue will equal the market price of their product multiplied by the volume of their sales, less that marginal producer's costs of production, i.e. the earnings of all the labour and capital employed plus an acceptable margin. The rental value of every other productive site will be the excess net revenue that the employment of a like amount of labour and capital could produce there. Collecting that rental value cannot therefore affect either the price of goods or services produced or the earnings or costs of the labour and capital responsible for that production.

In contrast a tax on labour (however they are employed) must increase the cost of labour to every employer that must be passed on in an increase in the selling price of their products. This in turn must increase the cost of living for all workers and further increase the costs of employing all labour. In the UK this vicious spiral, together with other taxes on the products of labour (VAT and excise duties), increases the costs of employing labour to more than twice the value of the goods and services those who live by their labour can procure with their earnings. Check it out and pass it on!

David Triggs
Honorary President
Henry George Foundation

[henrygeorgefoundation@
googlemail.com](mailto:henrygeorgefoundation@googlemail.com)



www.landandliberty.net
follow us on Twitter @landandliberty

CONTENTS

issue
1240
SUMMER 2017



Regulars

17

HGF News

The latest news and events of the Henry George Foundation in London

14

Reviews & Books Worth Reading

Edward J. Dodson reviews
*Reconstructing Urban Economics:
Towards a Political Economy of
The Built Environment* before your
Land&Liberty editors present their
latest Books Worth Reading

Cover Story

6

Taking The Crucial Small Steps

Gavin Kerr presents an effective way of leveling the playing field for everyone



Cover Photograph
Pixabay

Article image rights:
pixabay.com
- under public domain license
depositphotos.com
- under paid standard license

Features

11

Herbert Spencer In Retrospect

As Henry George did in back in 1892 Malcolm Hill dwells on the thoughts of noted English philosopher Herbert Spencer - again coupling Spencer's perspective to the ideas of George

18

Closing Thoughts

Lastly, Edward J. Dodson wonders why religion so consistently - and perhaps deliberately? - turns a blind eye towards the issue of land

letter from the editor

We can take some encouragement from the recent interest in the land question shown in the media and fine new publications such as *Rethinking the Economics of Land and Housing* by Josh Ryan-Collins, Toby Lloyd, and Laurie Macfarlane. It is becoming increasingly obvious that the private monopoly of land is distorting the economy and lies at the heart of the housing crisis in the UK. Fewer and fewer families are able to buy a home, while the cost of rents is taking an increasing proportion of household income.

Yet despite this new interest in the land question and the evident effects it has on the whole of our society, there remains no real indication that governments will implement any practical reform. Gavin Barwell, the former housing minister, lost his seat in the June election, but no change in policy has been proposed. In many ways the preoccupation with Brexit offers a distraction from the fundamental problem of housing in the UK. And while Labour has increased its proportion of the vote and members of Parliament, it continues to present social ills in terms of class struggle, including the housing problem, and LVT as just another tax.

It would seem that, no matter how clearly it is demonstrated that the private monopoly of land harms the economy as a whole, it still cannot be grasped. Even the recent *Paris Agreement* on climate change does not grasp that abuse of the earth follows logically from the monopoly of land. The only recent document of major importance that does recognise vested interests as the main obstacle to social and environmental reform is the Encyclical of Pope Francis *Laudato si', On Care for our Common Home*. Arguing that the earth is the common home of all humanity and all other creatures, Francis sees it as distinct from any commercial ownership. It is what the Creator has provided for all as a gift, and disregard of the earth as a gift lies at the root of material poverty and the spoliation of our natural habitat. This is a 'theological' truth recognised by all the great religions. Henry George would have welcomed the encyclical of Pope Francis with open arms. The Church has moved much further after *Rerum Novarum* in 1891, which George challenged in *The Condition of Labour*, than secular economics or humanist social sciences.

Why is there such a disparity between this obvious 'religious' truth and present economic theory? Is it merely because people now commonly dismiss religion and the Church? And if this is so, how has that come about?

History helps us here. The founding of economics as an independent branch of science took place amid huge social and intellectual crises, and the new scientific outlook of the seventeenth and eighteenth centuries directly opposed the Christian tradition and the medieval understanding of community. 'Reason' would now conquer 'superstition'. In this adulation of reason the rational and the ethical realms were split apart, and 'reason' could not find any firm

ground for ethics. Economists like Adam Smith vainly imagined that common decency and Christian values would hold while economic progress would take place through the new understanding of the market.

The great compromise adopted was to reduce ethics to social contract, no longer informed by the Christian understanding of the person to be honoured as the image of God, or the ancient tradition of the virtues, but replaced by legal obligations. Thus positive law, laying down contractual obligations between persons and commercial companies, imitates the new scientific mechanistic vision of nature. The human person is now defined by the property they own, not by character or by vocation. The new vision of conquering nature with science finds its counterpart in economics through property ownership. And what more obvious way to amass property than to take possession of the earth itself by contractual right and to see all economic enterprise in terms of competition for such ownership.

And so we remain in our times trapped in the rift between the mechanistic economics of property-owning competition and ethics. It would seem that the imposition of contractual obligations between citizens offers the only compromise between justice and outright self-interest. This contractual vision of society naturally gives birth to the conception of human rights. A society founded on mutual exploitation, where every citizen is in competition with every other – for land, for homes, for jobs, for wealth, for status – can only resort to human rights as a means to curb the worst excesses of such mutual exploitation. Thus human rights emerged for citizens who regard themselves as natural enemies or slaves to one another. They are simply a further expression of contractual obligations replacing community ethics or collective responsibility. As Simone Weil puts it, "The human person is reduced to a legal entity". Yet rights are all that is left as a final resort after human relations are conceived in terms of mutual competition and the exploitation of our common home, the Earth.

Thus the logic of replacing all taxation with the natural revenue arising from the value of the land created by the community as a whole runs counter to the contractual notion of individual citizenship and the proprietorial conception of our relationship with the earth. Yet only through a true relation with our home the earth can economic theory and ethics converge, and through the elimination of the principle cause of poverty can all be set free to follow their natural vocations for the common good rather than remain slaves to self-interest.



Joseph Milne
editor@landandliberty.net

A TRUE PROPERTY-OWNING DEMOCRACY

During the run-up to the General Election of 2015 the then leader of the Labour Party, Ed Milliband, tried to provide some theoretical grounding and a sense of narrative coherence to his policy proposals by invoking the idea of 'predistribution'. This was a term which had been brought to the attention of left-leaning academics in a 2011 article published by Yale political scientist Jacob Hacker, who argued that the socio-economic inequality which has been rising rapidly since the late 1970s should be tackled not primarily through redistribution – government taxes and transfers that take from some and give to others – but rather by focusing on 'market reforms that encourage a more equal distribution of economic power and rewards even before government collects taxes or pays out benefits'. In a speech at the London Stock Exchange in 2012 Milliband expressed his interest in this approach to progressive reform, stating that while centre-left governments of the past 'tried to make work pay better by spending more on transfer payments', centre-left governments of the future 'will also have to make work pay better by making work itself pay'.

Sadly for Labour and its supporters, Milliband's reference to predistribution was a strategic disaster. The term itself was widely ridiculed as being excessively dry and 'wonkish', and the policy proposals with which it was associated by Milliband were, in any case, insufficiently radical or individually justifiable to generate a high degree of interest and enthusiasm among even the section of the electorate typically sympathetic to Labour. The Conservatives won the election, and the term 'predistribution' was swiftly jettisoned. However, among left-leaning academic political thinkers the idea of predistribution has continued to attract a great deal of interest, with numerous journal articles and academic conferences, and even one or two books, devoted to analyzing its meaning and institutional implications. In this article I want to argue that the idea of predistribution is worth examining and might, if properly understood, form part of a radically progressive proposal for the reform of the socio-economic institutions of liberal societies like Britain – though not in anything like the way that most of its proponents, including Ed Milliband, would imagine.

PREDISTRIBUTION & THE PROPERTY-OWNING DEMOCRACY

In order fully to understand the idea of predistribution we need to consider another idea which has been attracting the attention of left-leaning academic political thinkers – that of the 'property-owning democracy'. Many will be familiar with the term 'property-owning democracy' (POD) from the 'right-to-buy' policy of the Conservative government of the 1980s, which gave the long-term tenants of council housing the right to purchase these houses at discount prices. But the idea of the POD is in fact much older than this, with roots going back to the rise of 'commercial republicanism' in the eighteenth century, perhaps most notably in the thought of Thomas Paine. The term itself, however, was coined in the 1920s by Scottish Conservative politician Noel Skelton, who argued that a broader distribution of private property would provide working class voters with a reason for rejecting the collectivism and state control of Socialism and Communism.

Skelton proposed the encouragement of profit-sharing and some form of co-partnership in industrial production, as well as the diffusion of landownership through the expansion of agricultural

smallholdings. Skelton was much less clear about the practical implementation of his proposals, and he said nothing about how active a role the state might take in generating the broader distribution of property, which he endorsed. His ideas influenced the younger generation of Conservative politicians who came to prominence in the post-1945 'One Nation Conservatism' era, and who came to power in the Churchill, Eden, and Macmillan governments. However, it was not until the Thatcher government of the 1980s that any attempt was made to put Skelton's ideas into practice.

In the 1950s and 60s the idea of the POD was taken up and given a positively 'social democratic' twist by left-leaning economist James Meade, who identified a more radically egalitarian distribution of private property as a key feature of a socially just liberal society. Meade argued, among other things, that universal property ownership would radically enhance the bargaining power of workers who would otherwise be forced either to sell their labour for inadequate reward, or to rely too heavily on inflationary collective bargaining strategies. An unequal distribution of property, he suggested, 'means an unequal distribution of power and status even if it is prevented from causing too unequal a distribution of income'. He therefore called for the imposition of progressive taxation on large accumulations of wealth – particularly the aggressive taxation of inter-generational transfers of wealth – which would in his view provide an incentive for wealthy individuals to make a larger number of smaller bequests (the recipients of which would not be taxed) rather than one or two large bequests (the recipients of which would be taxed heavily), as well as generating revenue to be invested in a sovereign wealth fund.

Meade's interpretation of the POD, including his emphasis on the need for the taxation of large accumulations of wealth, was then endorsed by the hugely influential American political philosopher John Rawls, whose 1971 book *A Theory of Justice* is almost certainly the most cited and discussed academic text in the field of political theory of the twentieth century. Rawls argued that the basic socio-economic institutions of a just liberal society:

[...] must from the outset put in the hands of citizens generally, and not only of a few, the productive means to be fully cooperating members of society. The emphasis falls on the steady dispersal over time of the ownership of capital and resources by the laws of inheritance and bequest.

During the last ten years the Meade/Rawls social democratic conception of the POD has attracted a huge amount of attention from left-leaning liberal political thinkers. And at the core of this conception is the idea of progressive predistribution. Rather than relying, like the traditional social democratic welfare state, on the progressive redistributive taxation of the highly inequitable incomes which arise from a highly inequitable distribution of productive resources, the government of a POD would implement – principally through the aggressive taxation of intergenerational transfers of wealth – a progressive predistribution of productive property in order to provide low-waged workers with a capital stake or a basic income.

Left-leaning property-owning democrats then argue that this core predistributive institution could be supplemented with a host of



other predistributive mechanisms, such as stronger trade unions, a high mandatory minimum wage, the enforcement of effective corporate governance rules, the effective regulation of financial markets, improved education and training for disadvantaged citizens, the capping of housing rents and rail prices, and so on. Their central argument is that the implementation of these predistributive mechanisms would enhance the bargaining power of low-waged workers by providing them with a guaranteed (non-wage) income, which would then raise wages and thereby reduce (though not eliminate) the need for the redistributive income taxation.

There are numerous problems with these conceptions of predistribution and the POD. For one thing, it is not at all clear that there is any meaningful distinction to be drawn between the traditional social democratic progressive taxation and redistribution of high incomes on the one hand, and the supposedly predistributive taxation of large accumulations of wealth on the other. More importantly, there are many considerations relating to economic freedom and efficiency which provide the basis for powerful arguments against implementing most of the supposedly 'predistributive' mechanisms which left-leaning property-owning democrats endorse, particularly the aggressive taxation of large accumulations of wealth. Moreover, these conceptions of predistribution and the POD also fail to take account of considerations, which provide the basis for powerful arguments in favour of *reducing* the burdens of taxation borne by productive economic actors in contemporary liberal societies.

It is no surprise, then, that Ed Milliband, unable to endorse the more radical 'predistributive' policies for reasons of both political feasibility and sound economic theory, was left with a bundle of gimmicks like his promises to cap rent rises and rail price increases, and to freeze energy prices for a couple of years. There is, however, an important and meaningful distinction to be drawn between progressive predistributive taxation and traditional social democratic redistributive taxation. In the remainder of this article I shall try to outline the basis of this distinction and to explain why I think it is interesting and important.

WHAT DOES 'PREDISTRIBUTION' REALLY MEAN?

Although the term predistribution was brought to the attention of left-leaning academics by Jacob Hacker, and is usually attributed to him, it was in fact first used in print by political activist James Robertson. In his 'Alternative Mansion House Speech' (2000), Robertson argued that institutional mechanisms which share 'the value of essential inputs to economic activity' fairly among the citizens of society are 'enabling' rather than 'dependency-reinforcing', since they address 'the underlying causes of economic injustice, inequality, and exclusion' by reversing 'the private "enclosure" of common resources on which so much conventional economic development has been based'. Robertson suggested that the fair sharing of the value of such 'common resources' – which he identified as the rental value of land and the value arising from the issuing of new money – should be regarded as predistribution.

I believe that the idea of predistribution as defined by Robertson is indeed an interesting and important idea, which can be fairly sharply distinguished from the more familiar idea of redistribution. I shall try to explain why I think this by focusing specifically on the idea of the rental value of land as a common resource, which should be shared fairly among the citizens of society. Perhaps we could go further than Robertson and say that it is land itself, and not just the value of land, which is a common resource, an essential input to economic activity. We would,

however, have good reason not to go as far as calling for the 'fair sharing' of land itself, or for the reversal of the private 'enclosure' of land. This is not because common lands cannot be managed successfully and efficiently, but rather because the protection of rights to the exclusive use of land is arguably essential to the economic freedom of the citizens of a liberal society.

For Henry George it was a matter of natural law that '[a]s a man belongs to himself, so his labour when put in concrete form belongs to him'. And this natural right to the fruits of one's labour seemed clearly to incorporate a more specific right to create wealth by applying labour to land – the right to free use of the opportunities offered by nature. But George recognized that if the natural right to gain the full benefit of one's labour is to be effectively secured, then the rights of secure and exclusive use of land must also be protected, these rights being essential to the success of any long-term projects of wealth-creation. However, he also recognized that the protection of land users' specific rights of exclusive use and security of tenure could be reconciled with the protection of each person's general right to use the land. George argued that since the rental value of land 'expresses in exact and tangible form the right of the community in land held by an individual', it follows that 'if we concede to priority of possession the undisturbed use of land, confiscating rent for the benefit of the community, we reconcile the fixity of tenure which is necessary for improvement with a full and complete recognition of the equal rights of all to the use of land'.

Thus, by sharing the *rent* of land fairly among the citizens of society, the private ownership of land could be limited or conditioned and thereby made compatible with the natural right to the fruits of one's labour. There were a number of reasons why George thought that the institution of full private property in land – which included the right of landowners to appropriate the rental value of their sites – certainly could *not* be justified in this way. One reason was that full private property in land empowers and incentivises private landowners to withhold their sites from productive use, thereby reducing the amount of land available for productive economic activity and unjustifiably restricting citizens' natural rights to the free use of the opportunities offered by nature. By reducing the amount of land available for productive economic activity, private landowners can effectively force workers and capitalists to utilize land more intensively than they would otherwise choose to, so that the proportion of total output attributable to rent – the product of land – is higher than it would otherwise be, while the proportion of total output attributable to wages and interest – the product of labour and capital – is lower than it would otherwise be. In this way, workers and capitalists are prevented from raising the productivity of their labour and capital – and therefore the value of their wages and interest – with the result that rent rises as a proportion of total output while wages and interest fall.

Another way in which George thought that the institution of private property in land undermined the natural right to the product of labour was by eliminating rent as a source of public revenue, thereby generating the need for the taxation of production and employment, and further reducing wages and interest. There are a number of reasons why the elimination of rent as a source of public revenue might be said to be incompatible with the protection of the natural right to the product of labour. First, the private appropriation of rent means that landless citizens are forced to pay much more than their fair share towards the cost of public goods and services, since they must pay not only in the form of tax payments, lower wages, and higher consumption costs, but also in the form of payments of rent and mortgage interest made to landlords and mortgage providers. With rent privately appropriated, it is as if landless citizens have to pay a privately collected 'rent tax' in addition to the publicly collected tax that they bear in the form of lower wages and higher living costs.

Second, the effect of taxation imposed on productive economic activity is to distort and suppress the activity on which it is imposed, thus greatly diminishing the collective productivity of the providers of labour and capital, and further reducing their economic rewards. The broad-based taxation of production, employment, and consumption inhibits economic activity primarily by making labour too expensive to employ in locations at (or close to) the margin of production, and by failing to penalize the inefficient utilization of sites in both marginal and intra-marginal locations. The under-employment of labour and the inefficient utilization of land greatly reduce the collective productive potential of workers and capitalists: under-employed workers produce less than they would be capable of producing in the absence of conventional broad-based taxation; the long-term unemployed produce nothing. Finally, George recognized that since land is 'a fixed quantity, which human agency can neither increase nor diminish', the tendency of its price constantly to rise cannot be limited in the way in which the prices of commodities are limited – that is, by increasing supply to match high demand. Partly for this reason, when rent remains in private hands the demand for land as a rapidly appreciating 'asset' takes the place of the demand for land as a productive resource. The artificially high land values which result from excessive demand for land as a constantly appreciating asset lead to the widespread misallocation, mal-investment, and destruction of capital, and ultimately to an economic downturn as productive enterprises, starved of the credit which has been hoovered up by land speculators, and crippled by excessive rents, are forced out of business. The economic output of societies in which rent is privately appropriated is significantly reduced by the unemployment and destruction of capital that follow the bursting of the land-price bubbles generated by speculation in land values.

In these ways – by restricting total output, by restricting the proportion of output, which is produced by labour, and by reducing wages still further through the imposition of taxation – the private appropriation of rent violates citizens' natural rights to the fruits of their labour. George argued that a shift in the burden of taxation from productive economic activity on to the rental value of land would be both just and expedient, protecting citizens' equal rights to utilize the opportunities offered by nature, eliminating the distortions, inefficiencies, and deadweight losses generated by broad-based taxation, and greatly reducing the instability of the economic cycle.

PREDISTRIBUTIVE TAXATION

It is, of course, plausible to suggest that the socialization of rent is not in fact a form of *taxation*, but rather a kind of 'service charge' or user fee owed by landowners in return for the specific bundle of natural and social advantages which are attached to the sites that they own. However, even if we refer to the socialization of rent as a particular form of taxation – land value taxation (LVT) – it is clear that this is a form of taxation, which is entirely distinct from taxation, which is imposed on productive economic activity, including taxation imposed on large accumulations of wealth. Since land is an essential *input* to productive economic activity rather than an *output* of such activity, the distribution of rent is *prior* to the economic activity to which the land itself is an essential input. There is therefore a meaningful sense in which rent can be said to be either regressively or progressively *predistributed*: if rent is privately appropriated then it is *regressively* predistributed; if it is socialized then it is *progressively* predistributed.

Since capital by definition is created by human labour, capital goods and the interest that they earn must be categorized as *outputs of economic activity*, rather than as essential inputs to economic activity. As outputs of productive economic activity, capital and interest are distributed subsequent rather than prior to the performance of this activity. There is therefore no meaningful sense in which the value of capital can be said to be regressively or progressively *predistributed*. This is the case even with regard

to 'unearned' capital, which is privately owned by a person who cannot be held in any way responsible for its creation – say, the beneficiary of a large bequest. Though such wealth might indeed be 'unearned', its distribution is nevertheless subsequent to the economic activity from which it was created, so that to transfer all or part of its value to another person would be to redistribute this value, and to violate (or at least restrict) the right of the person making the bequest to the fruits of their labour.

Unlike LVT, then, the progressive taxation of large accumulations of wealth (whether inherited or otherwise acquired) in order to generate the diffusion of privately owned productive resources that is the essential feature of the social democratic property-owning democracy is not a predistributive mechanism. It is also important to point out that the imposition of the broad-based proportional or flat-rate taxation which LVT would replace amounts essentially to what we might call *regressive redistributive taxation*. This is because such taxation transfers income and wealth systematically from landless producers to unproductive rent appropriators – principally landlords and mortgage providers, but also large landowning businesses and corporations, and even the outright owners of small residential sites. Rent can be privately appropriated only because wages and interest – the economic rewards for labour and capital – are unjustifiably socialized in order to generate the revenue with which public goods and services are funded. This socialization of wages and interest is therefore a subsidy which landless producers are forced to provide to private rent appropriators, who are in a position to collect the rent tax from the landless only because the latter are compelled by the state to contribute more than their fair share towards the cost of public goods and services.

One important effect of the shift in the burden of taxation called for by Henry George would therefore be to generate a fair redistribution of rent in order to eliminate the regressive redistributive transfer of income and wealth from landless producers to unproductive landowners. A fair redistribution of rent occurs when private landowners are required to compensate their fellow citizens in proportion to the rental value of the land to which they claim exclusive access. This fair redistribution of rent then prevents private landowners from exploiting the landless by reducing the amount of land available for productive utilization, and at the same time allows for the elimination of the regressive redistributive taxation that distorts and suppresses productive economic activity.

A TRUE 'PROPERTY-OWNING DEMOCRACY'

The idea of the POD as originally formulated by Noel Skelton was vague and incomplete, and the only measures thus far taken to implement it – the council house sell-offs and privatizations carried out by the Conservative governments of the 1980s and 90s, and the more recent 'help-to-buy' schemes implemented after the election of the Coalition government in 2010 – have been entirely inadequate. Indeed, the more recent schemes serve only to increase the value of real estate 'assets', thereby boosting the advantages gained by landowners at the expense of the landless, and further increasing the destructiveness of the 'wedge' being driven through society. And with all or most of the existing stocks of council housing now sold off (much of it now in the hands of buy-to-let landlords), rates of owner-occupation in Britain have now started to decline. In this so-called 'property-owning democracy' taxation imposed on productive economic activity remains excessively high, so that rights of private property in the rewards of economic activity – wages and interest – are ineffectively protected, while many people own very little of such property in the first place.

However, the rival social democratic version of the POD as it has been developed in recent years by the followers of Meade and Rawls is no more defensible. The imposition of progressive

taxation on large accumulations of wealth – whether in the form of taxes imposed on inter-generational transfers or in some other form – in addition to the already excessive burden of taxation borne by employers and consumers would be more likely to result in the destruction of capital and the further suppression of economic activity than in the empowerment of disadvantaged citizens through the diffusion of privately owned capital. Other so-called 'predistributive' measures like the raising of minimum wage rates or the strengthening of trade unions will not be any more successful.

By contrast, there are reasons to think that a radical shift in the burden of taxation from productive economic activity to the rental value of land would be likely indirectly to generate a much less highly concentrated distribution of privately owned property, as well as enhancing the protection of citizens' rights to the fruits of their labour. What the proponents of the social democratic POD have failed to observe is that what appears to be a relation of the dominance of capital over labour is often in fact a relation of the dominance of *land* over labour *and* capital. This dominance arises because land neither depreciates (like capital) nor starves (like labour), and because access to land is essential to productive economic activity. Even when there is genuinely a conflict between capital and labour, this conflict is often one which is greatly exacerbated by the alliance of capital with land, since the power of capital is massively enhanced when landowners and capitalists are one and the same, and when taxation bears more heavily on labour than it does on both land and capital.

The dominance that landowning capitalists are able to exercise over landless labour and capital often results in the oligopolistic domination of industries by a small number of very large firms. Large supermarkets, for example, are able to make supernormal 'profits' as a result of their private appropriation of the rent attributable to the sites on which they are located. Since firms, which own the freeholds of their sites, receive rental income as well as revenues generated from their commercial activities, such firms can cut their prices and absorb the subsequent fall in receipts out of their rental income. As Brian Hodgkinson has put it in 2008, rent provides freeholder firms with "a shock-absorbing income enabling them to undercut all potential entrants, either because the latter will have to set a price yielding the rent payable to a landlord, or because the entrant has to purchase a freehold initially".

This 'shock-absorbing income' constitutes a powerful barrier to entry into the industry, and turns large freeholder firms into oligopolists. Thus, the power of capital over labour is very much a function of the power of landowners over the landless, though the latter is often far less obvious and transparent than the former. It is not, as Meade claimed, an unequal distribution of *property* that leads to unacceptable inequalities of power and status, but rather the monopolization of rent by private landowners. A predistributive shift in the burden of taxation from productive economic activity to the rental value of land would remove many of the barriers to entry to a range of industries, and would go a long way towards leveling the playing field between capital and labour. It would also raise wages, stimulate productive economic activity, and make both residential and commercial land much more accessible to previously disadvantaged citizens by reducing or eliminating its capital value and penalizing its inefficient utilization. In short, the fair redistribution of the rental value of land would create a property-owning democracy by protecting citizens' natural rights to make use of the opportunities provided by nature, and by protecting their rights to private property in the fruits of their labour. Thus, while 'progressive redistribution' is not a slogan for a successful general election campaign, it is an interesting idea which might help to clarify the sense in which radically progressive fiscal reform need not involve the imposition of interventionist redistributive taxation which distorts and suppresses productive economic activity. ■



THE PERPLEXED PHILOSOPHER

The English philosopher Herbert Spencer commanded a high reputation in the late nineteenth century. John Stuart Mill described him as ‘... one of the acutest metaphysicians of recent times, one of the most vigorous as well as the boldest thinker that English speculation has yet produced.’

In 1850, when he was young and unknown, he wrote a book, *Social Statics*, in which he dealt with the land question. He wrote:

Given a race of beings having like claims to pursue the objects of their desires; given a world adapted to the gratification of those desires — a world into which such beings are similarly born — and it unavoidably follows that they have equal rights to the use of this world. For if each of them “has freedom to do all that he wills, provided he infringes not the equal freedom of the other,” then each of them is free to use the earth for the satisfaction of his wants, provided he allows all others the same liberty. And conversely, it is manifest that no one, or part of them, may use the earth in such a way as to prevent the rest from similarly using it; seeing that to do this is to assume greater freedom than the rest, and consequently to break the law.

Equity, therefore, does not permit property in land. For if one portion of the earth’s surface may justly become the possession of an individual and may be held by him for his sole use and benefit as a thing to which he has an exclusive right, then other portions of the world may be so held; and eventually the whole of the earth’s surface may be so held, and our planet may lapse into private hands. Observe now the dilemma to which this leads.

Supposing the entire habitable globe to be so enclosed, it follows that if the landowners have a valid right to its surface, all who are not landowners have no right at all to its surface. Hence, such can exist ... by sufferance only. They are all trespassers. Save by the permission of the lords of the soil, they can have no room for the soles of their feet. Nay, should the others think fit to deny them a resting place, these landless men might equitably be expelled from the earth altogether. If, then, the assumption that land can be held as property, involves that the whole globe may become the private domain of a part of its inhabitants; and if, by consequence, the rest of its inhabitants can then exercise their faculties — can even then exist — only by consent of the landowners, it is manifest that an exclusive possession of the soil necessitates the infringement of the law of equal freedom. For, men who cannot “live and move and have their being” without the leave of others, cannot be equally free with those others.

It can never be pretended that the existing titles to such property are legitimate. Should anyone think so let him look in the chronicles. Violence, fraud, the prerogative of force, the claims of superior cunning — these are the sources to which those titles may be traced. The original deeds were written with the sword rather than with the pen; not lawyers, but soldiers, were the conveyancers; blows were the current coin given in payment; and for the seals, blood used in preference to wax. Could valid claims be thus constituted?

“But time”, say some, “is a great legalizer. Immemorial possession must be taken to constitute a legitimate claim. That which has been

held from age to age as private property, and has been bought and sold as such, must be now considered as irrevocably belonging to individuals.” To which proposition a willing assent must be given when its propounders can assign it a definite meaning. To do this, however, they must find satisfactory answers to such questions as: How long does it take for what was originally a wrong to grow into a right? At what rate per annum do invalid claims become valid? If a title gets perfect in a thousand years, how much more than perfect will it in two thousand years — and so forth.

But to what does this doctrine, that men are equally entitled to the use of the earth, lead? Must we return to the times of unenclosed wilds and subsist on roots, berries, and game?

The change required would simply be a change of landlords. Separate ownerships would merge into the joint-stock ownership of the public. Instead of being in the possession of individuals, the country would be held by the great corporate body — Society. Instead of leasing his acres from an isolated proprietor, the farmer would lease them from the nation. Instead of paying his rent to the agent of Sir John or His Grace, he would pay to an agent of the community.

A state of things so ordered would be in perfect harmony with the moral law.

Either men have a right to make the soil private property, or they have not. There is no medium. We must choose one of the two positions. There can be no half opinions. In the nature of things the fact must be one way or the other.

Spencer’s thoughts were expressed plainly and unambiguously, with not the least qualification. George marveled at this kindred spirit across the Atlantic. Though certain of his ideas might not yet be fully thought out in practice and, in one place, he considers compensating landlords, George overlooked such lapses of reason as matters of slight importance. Spencer’s book was not a conspicuous success; an American edition, however, published in 1864 sold well.

Spencer had become a hero of George during his Californian days when he was putting his thinking on economic questions together. However, as he advanced in age and became a respectable figure, he hardened into a reactionary bigot. His fame now depended on his plausibility and he set out to obscure his youthful utterances. George dubbed him, on account of the patent materialism of his thinking, ‘the Pope of the agnostics.’

With the spread of George’s influence, Spencer became more uncomfortable. In late 1882, four months after *Progress and Poverty* had been reviewed in *The Times*, a review in the *Edinburgh Review* first coupled the ideas of George with Spencer. This drew from him a letter in the Tory *St. James’s Gazette*, in which he admitted reading George’s book but added that it was ‘... a work which I closed after a few minutes on finding how visionary were its ideas.’ He pointed out that *Social Statics* had by now been withdrawn from circulation in England and that, in his recently published *Study of Sociology and Political Institutions*, he

had sprinkled the passages on land tenure with such predicated terms as 'it seems,' 'may be' and 'perhaps' indicating a shift away from the more certain approach of his earlier work. Therefore, he insisted, his thinking could in no way be equated with either the communists or George.

Spencer made further efforts to distance himself from the application of ideas that now appeared to him attractive in the abstract only. In 1884 in a new book, *Man versus the State*, he condemned government action to relieve poverty. George distilled the spirit of this new book thus, 'If any man would not work, neither should he eat. The reader of *Social Statics* might suppose he had made censure of landholders, whom he had been wont to refer to 'Sir John' or 'His Grace'. But now he was referring to the 'idle poor,' whom he had once reckoned to be the victims of the theft of their birthright.

He had always been dissuasive of socialist palliatives but, in *Social Statics*, Spencer acknowledged the basic cause of the condition of poverty. 'As the first item on the list there stands that injustice inflicted on nineteen-twentieths of the community by the usurpation of the soil — by the breach of their rights to use the earth. For the civil power is responsible — has itself been party to the aggression — has made it legal, and still defends it as right.'

Not only did Spencer display pitiful cowardice in denying his own arguments, but he also sought to discredit others, like George, who took up similar ideas. In *Man versus the State* he wrote, 'There is the movement for land nationalization, which aiming at a system of land tenure, equitable in the abstract, is, as the world knows, pressed by George and his friends with avowed disregard for the just claims of existing owners, and as the basis of a scheme going more than halfway to state socialism.' George had never advocated land nationalization nor even as much as considered it.

Yet Spencer had not recanted completely, for he acknowledged the equity of a system of land tenure — in abstract; even though, in *Social Statics*, he had expressly discountenanced abstract speculation. 'For what does a man really mean,' he wrote, 'by saying that something is "abstractly right!" Simply that it accords with what he, in some way or other, perceives to be the established arrangements of Divine rule. When he admits that an act is "theoretically just" he admits it to be that which, in strict duty, should be done. By "true in principle" he means in harmony with the conduct decreed for us. The course which he calls "abstractly right" he believes to be the appointed way to human happiness. There is no escape. The expressions mean this or they mean nothing.'

In November, *The Times* reported an incident in which John Morley, the Liberal politician, had been asked by a constituent whether he supported land nationalization. When Morley indicated dissent, his questioner stated that Spencer had declared that land had been made private property by force of fraud. The report drew an immediate and lengthy response from Spencer. He advanced the specious argument that *Social Statics* 'referred to ... absolute ethics, or that which ought to be, as distinguished from relative ethics ... the use of the words 'possible,' and 'possibly,' and 'perhaps,' ... shows that I have no positive opinion as to what may hereafter take place. The reason for this state of hesitancy is that I cannot see my way towards reconciliation of ethical requirements with the politico-economic requirements.' He might have more honestly said that he was unable to reconcile his position in society with the radical and courageous views which he had expressed so eloquently almost forty years earlier.

In a leading article some days later, *The Times* accepted the explanation thus, 'So, without denying that he did say something of the sort, he [Mr. Spencer] explains that it was forty years ago, and that for the last fifteen years he had been doing all that he

can to suppress the book in which he said it, and that he never meant his words to have any bearing on practical questions. He was in fact engaged in constructing a system of "absolute political ethics or that which ought to be", and he was distinctly aggrieved by the transfer of his opinions from the transcendental to the very different one in which [Mr. Morley's constituents] are accustomed to dwell.'

Yet *The Times* allowed the correspondence on the matter to run, first publishing an article by Frederick Greenwood, a leading Tory, who, citing the example of Spencer, delivered a caution to social philosophers. Then Sir Louis Mallet weighed in to express the danger and wickedness that Spencer had caused by coupling land ownership with slavery. But it was Professor Thomas Huxley who really set the matter alight by stating he was sure his friend Mr. Spencer would sanction popular acts of injustice by antiquarian and speculative argument. He demanded an answer to a question which was brutal in its simplicity. 'Did AB, who had bought a piece of land as one might buy a cabbage, have a moral or legal right to it or not? If he does not, how does "absolute political ethics" deduce his right to compensation? If he does, how does "absolute political ethics" deduce the state's right to disturb him?'

Clearly, Spencer had opened a Pandora's Box by writing to *The Times*. His reply to Huxley's letter was long and only its first paragraph endeavoured to answer the Professor's question. 'As Professor Huxley admits that his friend AB's title to his plot of land is qualified by the right of the state to dispossess him if he sees well — as, by implication, that all landowners hold their land subject to the supreme ownership of the state, that is, the community — as he contends that any force or fraud by which land was taken in early days does not affect the titles of existing owners and *a fortiori* does not affect the superior title of the community — and as, consequently, he admits that the community, as supreme owner with a still valid title, may resume possession if it thinks well, he seems to me to leave the question standing very much where it stood, and since he, as I suppose, agrees with me that any such resumption, should a misjudgement lead to it, ought to be accompanied by due compensation for all the artificial value given to the land, I do not see in what respect we disagree on the land question.'

He devoted the rest of his letter to an explanation of what he meant by the term 'absolute political ethics,' concluding with the words, 'In so far as I am concerned, the controversy must end with this letter.'

George, meanwhile, was greatly enjoying following Spencer's discomfiture. In essence, all he thought Spencer was saying was, 'I admit all that the landowners may want to admit. Let us change the subject.' George decided to expose him further in a book which he called *The Perplexed Philosopher*.

Social Statics continued to be published in America until a second edition appeared in January 1892 with no references to land in it at all. In George's opinion, it was like Hamlet without Hamlet himself, and represented an advance from attempted repudiation to recantation.

Spencer's mature reflections on the land question were contained in a book entitled *Justice*, which was the tenth volume of his *Synthetic Philosophy*. Whereas *Social Statics* had treated of social reform, this larger work ventured into speculative philosophy. George was surprised to discover that the First Cause, instead of being regarded as a spiritual being, was simply referred to as 'unknowable'; a vacuum created by his denial. He found Spencer's philosophy materialistic and empty, pessimistic and fatalistic.

It was Spencer's wont to recant by confusing the issue, rather than by employing a direct denial. The space devoted to 'The

Rights of Life and Personal Liberty,' which were covered in one page of *Social Statics*, ran to two chapters in *Justice*, and contained references to numerous obscure races in his search for the truth.

In place of the chapter 'The Right to the Use of the Earth,' which had appeared in *Social Statics*, there now appeared 'The Rights to the Use of the Natural Media,' which led the reader's mind through a tortuous argument which ends with the words, 'Though the right to use the Earth, possessed by each citizen, is traversed by established arrangements to so great an extent as to be practically suspended; yet its existence as a suitable claim cannot be denied without affirming that appropriation by State decree is inequitable. The right of an existing holder of land can be equitably superseded, only if there exists a prior right of the community at large consisting of the sum of the individual rights of its members.'

The last sentence is elegant in appearance but meaningless. Spencer had ousted the equitable rights of men by the customs of the day. What need, one may ask, has man of principles and ideals when they fall under the impress of injustice? Spencer used the legal right of the community to purchase land to show that the equal right of the individual to land is recognized and the landowner's right to compensation is also endorsed. 'Since equity and custom alike imply that existing holders of particular portions of land may not be dispossessed without giving them in return its fairly estimated value, it is also implied that the wholesale resumption of the land to the community can only justly be effected by the wholesale purchase of it.'

Thus the 'absolute theory' formulated in *Social Statics* had been tempered in practice. The reasoning, however, is specious. If it is pretended that every individual has an equal right in equity to acquire land at its full value, it must also be conceded they have an equal right to a cup of tea at the Ritz. A right he shares with every other individual in mankind. George considered this argument as both morally and intellectually beneath contempt.

Having established an equal right to acquire land, in the following chapter, Spencer denies that such a right exists. George commented 'Truly *Justice* is a surprising book ... had [it] been written under coercion, if [he] was imprisoned in the chambers of an Inquisition ... we might well believe [this] section contained his sign to posterity that, in spite of the denials he had just been compelled to make, he in his heart held to the truth.'

George poured especially caustic scorn on Spencer's notion of compensation. The idea that landowners were entitled to be compensated for their land was a fantastic and vulgar speculation. Private ownership of land was robbery in George's eyes; the state does not compensate robbers.

George took particular trouble to differentiate property in land from property in other things. Spencer had mindlessly lumped everything together in order to strengthen his argument that a destruction of private property in land would lead to the destruction of all property. George defined property as the establishment of a title in things made by man. The notion that what was made by the Creator for all mankind could be privately owned was deranged and idiotic.

In another chapter, George took a pot shot at Professor Huxley, whom he dubbed Professor Bullhead. He represented him as a writer to a journal who enquired whether a slave was his property morally and legally.

George drew attention to reliance on authority:

Taking Mr. Spencer as the foremost representative of those who deny the justice and expediency of recognizing the equal right to

land — a pre-eminence given him by his great reputation ... and the fact that he once avowed the opinions he now seeks to discredit — I have set forth his utterances on the land question, from his first book to his last, printing them in full in order to do him the amplest justice, and subjecting them to an examination which anyone of ordinary ability and information is competent to test. I have thus given the best example to be found in the writings of one man, of what may be said for and what may be said against the equal right to land.

It is not the example of intellectual prostitution thus disclosed that I would dwell upon. It is the lesson that prompts to intellectual self-reliance. It is not merely the authority of Mr. Spencer as a teacher on social subjects that I would discredit; but the blind reliance upon authority ... Given a wrong which affects the distribution of wealth and differentiates society into the rich and the poor, and the recognized organs of opinion and education, since they are dominated by the wealthy class, must necessarily represent the views and wishes of those who profit or imagine they profit by the wrong.

That thought on social questions is so confused and perplexed, that the aspirations of great bodies of men, deeply though vaguely conscious of injustice, are in all civilized countries being diverted to futile and dangerous remedies, is largely due to the fact that those who are credited with superior knowledge of social and economic laws have devoted their powers, not to showing where the injustice lies but hiding it; not to clearing common thought but to confusing it.

I care nothing for creeds. I am not concerned with any one's religious belief. But I would have men think for themselves. If we do not, we can only abandon one superstition to take up another, and it may be a worse one. It is as bad for a man to think that he can know nothing as to think he knows all. There are things which it is given to all possessing reason to know, if they will but use that reason.

A Perplexed Philosopher was published in October 1892. It circulated well and received extensive press coverage, but it was the only one of his books not to be widely translated, appearing only in Russian. Indeed, the thoroughness of the exposure made it a difficult, not to say a dull, book for the general reader. It drew no direct reply from Spencer himself though he did write to an American friend: 'I have read the introduction ... and my secretary ... has read me sundry of the calumnious and vituperative passages ... irrespective of numerous utterly false insinuations, there are two direct falsehoods which it may well to name and to flatly contradict ... The first is ... where he says I have placed myself, "definitely on the side of those who contend that the treatment of land as private property cannot equitably be interfered with." I have said nothing of this kind. I have continued to maintain that the right of the whole community to the land survives and can never be destroyed.'

In fact, George never argued for the community's right to possess land, but rather against the retention of the value of land, which was the creation of the community, by private landlords. Such was the colossal egoism of Spencer that he was incapable of distinguishing between his ideas and his beliefs; he regarded George as having attacked him personally. To another correspondent he wrote, 'There is only one short word — not used in polite society — which fully describes Mr. George.' 📌





**RECONSTRUCTING URBAN ECONOMICS:
TOWARDS A POLITICAL ECONOMY
OF THE BUILT ENVIRONMENT
BY FRANKLIN OBENG-ODOOM**

Reviewed by Edward J. Dodson

Zen Books Ltd., 2016
ISBN: 1783606592

Here Franklin Obeng-Odoom sets his sights very high with this book. He seeks to establish rules of economic analysis descriptive of how we actually behave and how our systems of law and taxation reward or thwart particular behavior. His target audience is the community of experts whose work touches on urban economics. He observes that much of his own formal education failed to provide the framework required. The neoclassical economics he endured in the classroom had little to say about maximizing benefits to society. This was the same economics I studied as an undergraduate before entering into a career in banking as a real estate loan officer. This was the same economics I found of minimum value as I became involved in efforts to revitalize distressed city neighborhoods. The following sentence conveys the author's mission:

Without reconstructing this urban economics as a basis for description and explanation to influence policy, the gulf between the academic orthodoxy and real-world conditions can only get worse [p. 4]

Only after completing my own undergraduate work was I introduced some years later to a particular set of "non-neoclassical political economic theories and perspectives" that better explained the dynamics of our *have and have not* urban reality. It turns out that the author and I have travelled somewhat similar paths of discovery, though far from identical. As have I, he has come to embrace much of the analysis put forward by the American political economist Henry George in the late nineteenth century. Differently, he has endeavored to find within the Marxist analysis a new synthesis of compatible perspectives. As would any Marxist, he sees the problems of *labour* as a consequence of "its struggle with capital." [p. 9]

Henry George saw the struggle as a struggle with landlordism, one aspect of which was urban and industrial-landlordism. To the extent a struggle with capital existed, the cause was not the private ownership of capital goods as the means of production but of its concentrated, monopolistic ownership.

Political economy at one time functioned as an interdisciplinary social science. The author calls for a return to the study of the discipline as understood by Marx and George:

A political economy which studies the economics of cities in its wider social, political, and ecological contexts offers a powerful approach to studying this complexity. [p. 18]

Toward this end, it would have been informative for the author to provide a few pages on the reason why past generations of people migrated to and then settled in one place, setting the stage for the ultimate growth of villages into towns and towns into cities.

I explain the history thusly. With settlement arose the need for rules that allocated access to natural resources, rules that distinguished public from private property. For most of history, settled societies came under the control of increasingly oppressive hierarchical structures.

As political economists, both Marx and George observed that throughout history politics dictates economic outcomes, perhaps more so than what exploitation of the natural environment directed. Obeng-Odoom finds these perspectives integral to the work of institutionalists today (built on the methodology of the Swedish economist Gunnar Myrdal).

An important objective of this book is to find harmony between the most fundamentally-important insights of Marx, the Institutionalists and George as they apply to urban socio-political arrangements and the distribution of wealth and income. His reference to individual contributors to the study of "the built environment" is, in effect, a call for a break from orthodoxy to a new synthesis, one he has come to after intense investigation and now shares with others within the discipline.

In his overview of the essential elements in Henry George's system of political economy, Obeng-Odoom could have clarified that George's ideal system of allocating control over nature would be the process of competitive bidding to obtain a leasehold interest subject to periodically-adjusted rental charges. George accepted as a less-than-optimum solution the annual taxation of land deeded to private individuals or entities. Most important to George was that the rent of land (i.e., of all "natural opportunities") be societally-collected to pay for public goods and services.

In the chapter titled *The Urban Challenge*, Obeng-Odoom describes how mainstream analysts tend to look at cities based on their chosen specialized discipline. This leaves huge gaps in understanding, as "cities are continuously evolving, as are their functions and form." [p. 37] Institutional evolution, market forces and sometimes dramatic changes in the natural environment stimulate changing land uses. That is the history of all urban communities; the differences are, in my view, differences of degree rather than of kind. And, of course, some cities are relatively newly-formed; others have existed for several thousand years. There have always been migrations, often by people desperate to secure access to land and self-sufficiency or to escape oppression not directly related to the poverty caused by landlessness.

The fact that all around the world most migrations today are rural to urban is explained by a variety of causes. Not unexpectedly, land monopoly is not among the causes identified by mainstream analysts. On the other hand:

Georgists [...] emphasize that the growing displacement arising from the privatization of land drives or at least escalates the migration process [p. 49]

More accurately, Georgists point to the private appropriation of the rent of land rather than its private ownership as a cause of migration. Rural rack-renting drives peasants off the land into cities to face urban rack-renting landlords. Obeng-Odoom concludes “there is much evidence of how rising rent due to the commodification of urban, peri-urban, or rural land shifts populations around and pattern urban development in ways that see a concentration of wealth existing side-by-side with poverty.” [p. 53] No doubt the rise in land rents causes the displacement of lower income households exposed to market forces. However, as Henry George understood, it is the failure to publicly collect the rents that is the real problem.

Obeng-Odoom next moves on to discuss the analytical superiority of a synthesis of “Marxist, Georgist, postcolonial, and institutional analyses” [p. 80] in an attempt to explain why people settle, produce, consume, save and invest within the urban environment. It occurs to me that almost any approach that is interdisciplinary will prove more valuable to decision-makers than the general equilibrium model. A key reason is that the markets for locations in urban regions are not subject to the price mechanism as are the markets for labor, capital goods and (under certain conditions) credit. Absent the public capture of the full potential annual rental value of locations, a net imputed rental income stream to land owners is capitalized into selling price. Hoarding of and speculative investment in locations results. Under conditions of rapidly rising prices the supply curve for locations would be leftward leaning (i.e., the supply brought to the market is declining based on the expectation of ever-rising prices).

An important question is whether better analysis would result in better public policies and, therefore, more livable urban cities. Globalization has certainly changed the way cities are evolving. As Obeng-Odoom concludes, the impact on millions of people has been deterioration in their quality of life:

[G]lobal cities have arisen because national borders pulled down by a coalition of institutions have enabled and sustained market forces that have unleashed a pattern of urban development that systematically marginalizes the majority of urban residents, or causes and sustains inferior and dependent urban industrialization... [p. 85]

An equally-important (perhaps more important) externality is the growth of population. Once again, Obeng-Odoom finds mainstream urban economics void of sound analytical value. “Institutional arrangements” (e.g., laws that regulate what can be built where) powerfully affect market decisions. City officials eager for job-creating investment compete with other cities by offering such measures as tax abatements, variances to existing zoning or building codes, or even workforce training programs designed to meet the specific needs of potential employers.

Sound economic analysis depends, in part, on reliable statistics.

Where this level of information is scarce is where the so-called “informal economy” operates and where formal institutions are weak and often corrupt. The informal economy is also where participants evade taxes and regulations. On the whole, Obeng-Odoom finds, the evidence confirms that “most informal labourers have no choice,” as “they are compelled to work in informal economies because of structural reasons.” [p. 123] He also notes the continuing influence of Hernando De Soto’s call for formalization of property rights in the edge cities occupied informally by large numbers of the urban poor. He rejects this approach as well as the self-governance model, in favor of a neo-Marxist form of workplace democracy and housing provided by the public sector. This model sounds less like Marx and more like Proudhon’s mutualism. The basic idea is to foster a high degree of individual commitment and achievement within a cooperative institutional framework.

Measuring the extent to which poverty exists in an urban community is one type of challenge. Agreeing upon and implementing policies that hold out the promise of eliminating poverty is challenged by, among other things, ideological bias. Obeng-Odoom joins a long list of thoughtful analysts and social reformers (myself included) who have sought to keep the proposals of Henry George in the public dialogue. *Rentier privilege*, we argue, is the evil to be removed, the path to a full employment society, which is, in turn, the path to the removal of the plague of poverty. However, rather than *the State* generating inequality “because their material bases tend to operate in favour of those who gain from market processes,” [p. 158] George finds that inequality results from a systemic redistribution of income and wealth from producers to rentiers.

As Henry George took great pains to convey to readers of *Progress and Poverty*, the consistent use of terms is essential to the communication of ideas. Nowhere is this more important in the discussion of what is mistakenly referred to as housing. Where Obeng-Odoom writes about “[g]alloping housing prices” [p. 161] he should be writing about “residential property prices.” A housing unit is a depreciating asset the current value of which is easily calculated as replacement cost, less depreciation. When property prices are skyrocketing upward, the asset that is increasing in price is the underlying land parcel. He certainly understands this distinction. Unfortunately, Obeng-Odoom misinterprets Henry George on the solution to rising property prices. He writes:

He [Henry George] argued that abolishing rent on bare land either by making land common property or by taxing it heavily is likely to reduce speculation, house prices (as land cost becomes zero or minimal), and hence the cost of accommodation. [p. 175]

George looked to market forces to determine what the rent on bare land would be in any location. Even if the deed to land was held by the community, each parcel of land would offer a potential user specific location advantages yielding rent to be collected to pay for public goods and services. Of course, the members of a community could vote to forego collection of some (or even all) of the rent in order to make the location affordable under a leasehold arrangement to households with income insufficient to absorb the rental payment in addition to other living expenses. To prevent the capitalization of this land rent subsidy into a selling price for a leasehold interest in the location, a covenant of the deed would restrict resale of the housing unit based on appraised value or household income of the potential

purchasers. This is the essential structure of the community land trust. Other models, such as limited equity cooperatives, have successful urban track records. Inclusionary zoning offers a means of creating a mixed-income housing cluster with a percentage of the units set aside for permanent affordability.

Anyone who possesses a true concern for the urban environment and the surrounding countryside, has to be searching for solutions to sprawling development and the number of automobiles competing for space on the network of roads and highways that dominate the landscape. Obeng-Odoom is rightfully perplexed that “homo automobilus – the rise of the automobile as the emperor of urban transportation and its desirability – is defended in mainstream urban economics.” [p. 185] He expresses hope that an “activist campaign” will arise to “delegitimize automobility” in favor of “mass transit and bicycles, walking, and planning for people (not for profit) in the sense of building fewer roads, promoting collective and mixed use urban development ... and safe walking paths”. [p. 200] The hope, in my view, is for communities in which people can live, work and play independent of automobile usage.

Ultimately, what Obeng-Odoom and many of us are working to identify are best practices to achieve sustainable urban development. Again, he is led to Henry George for an effective challenge to orthodox theory by “returning land to common property.” [p. 220] That is, if the clock could be turned back, ownership of all land would be held by the community and (as I wrote above) offered to individuals and entities by competitive bidding for a leasehold interest. Again, the problem is the private appropriation of the rent of land rather than private ownership. Collecting the rent of land triggers sustainable economic development. A basic understanding of the Ricardo-George *law of rent* explains why.

Every parcel or tract of land has some potential annual rental value. A potential user will bid for control of the location based on an expectation of the revenue to be generated by whatever activity in which the user undertakes. Restrictions on this activity imposed by the community impose costs on the user; thus, in order to protect desired and expected profit margins the user will enter a lower rent bid than if no or fewer restrictions are imposed. For the community, the decision to impose restrictions to achieve, for example, a zero pollution outcome will tend to yield a lower rental charge than if some pollution was accepted (although the higher rental revenue obtained would provide funds for environmental remediation). However, one would expect to experience longer-run positive externalities associated with a pollution-free environment. Rent yields could rise significantly as the area becomes attractive to zero-polluting producers, service providers and residential occupants.

Obeng-Odoom misreads Henry George on the role that rent plays in the decision-making process by potential producers. The last thing Henry George wanted to see would be the elimination of rent from the economy. The taxation of rent does not eliminate rent, it merely redirects rent to the community to pay for public goods and services. By eliminating the potential to profit by speculation in land, the supply of locations brought to the market in competition with one another would tend to bring down rental values, at least until population growth increased the competition for well-situated locations.

In the end, what the author attempts is a resurrection of political economy as an interdisciplinary method of analysis and investigation. The book may be read, even discussed, by members of the individual disciplines to whom the book is directed. Will his message serve to bring together those who have come to question the orthodox teachings of their mentors? Others have tried. Back in 1970, Dick Netzer (a Professor of Economics and Dean of New York University's School of Public Administration)

offered the book *Economic and Urban Problems: Diagnoses and Prescriptions* as an equally-ambitious entry to the argument on behalf of interdisciplinary analysis. Four decades ago he wrote:

Perhaps the most frequently overlooked and most insistently urged analytical argument of the book is this: existing institutions and policies have negative, as well as positive, economic effects on the resolution of urban problems. The mitigation of the harmful effects, by revising existing institutions, may be more important than any conceivable combination of glamorous and wholly new institutions, policies, and mechanisms. ... Societies with economic arrangements that, while paying serious attention to environmental difficulties, make likely the achievement of universal affluence within another generation must be doing something right.

Professor Netzer had challenged conventional wisdom. His book was positively reviewed and may have sold well. Back in 2004, a collection of essays with the title *City Taxes, City Spending* was published in his honor. The editor, Amy Ellen Schwartz, wrote of Netzer:

His research and writing clearly reflect the lessons learned and insights gained from practical applications to problems facing cities. His public service clearly reflects the expertise and analytic acumen honed in scholarly research and engagement. In this, he is a role model for subsequent generations of public finance and urban economists seeking to balance academic inquiry and research with public service and practice.

The fact that Professor Netzer's work escaped the attention of Franklin Obeng-Odoom is not surprising. But, it is an unfortunate indication of the great difficulty of building a sustained challenge to conventional wisdom. 📖

BOOKS WORTH READING

For those interested in the relationship between jurisprudence and ecology a worthwhile read is *The Ecology of Law: Toward a Legal System in Tune with Nature and Community* by Fritjof Capra and Ugo Mattei (Berrett-Koehler, 2015). The authors argue that with the modern advances of ecological science the world can no longer be understood as a vast machine, but rather as an interconnecting network of living forms. But, they write, our “laws and legal system are still mired in the outdated mechanistic paradigm”. The book traces how modern law theory arose out of the scientific revolution of the sixteenth and seventeenth centuries, championed by Francis Bacon, Rene Descartes and John Lock. “In jurisprudence, the rationalist, mechanistic paradigm, developed by . . . jurists like Hugo Grotius and Jean Domat, views reality as an aggregate of discrete definable components, owners whose individual rights are protected by the state. Indeed, ownership and state-sovereignty, respectively, championed by John Locke and Thomas Hobbes, are the two organising principles of legal modernity” they observe in the introduction.

The subsequent argument of the book is to show how our new understanding of nature may inform our conception of law and align it with living in tune with nature. In Chapter 8 they argue that law belongs to community and ought not to be a system imposed from outside. There is detailed discussion of how the laws on property may be transformed by forms of common ownership or sharing, as well as a new recognition of commons. The main thrust of the proposed revision of law is that it be liberated from its focus on isolated property owning individuals and reoriented towards community and the interconnections within community, and the integration of community with the living environment.

Some of the suggestions may be impractical, nevertheless the book demonstrates beautifully that our modern theories of economics are bound up with outdated mechanistic conceptions of science and of law, and that economics and jurisprudence both need revising if justice and ecology are to converge. 📖

HGF BRIEFING NOTES

ANNUAL GENERAL MEETING 2017

A time and place has now been found for this year's Henry George Foundation Annual General Meeting.

Please mark your calendars for Saturday the 23rd of September.

In addition to the formal Annual General Meeting attendees can look forward to a special *Open Day Event* with engaging talks and presentations.

The one-day event will be taking place at Mandeville Place in London. Final plans will be ready in August and announced via the customary channels.

FRIDAY MEETINGS AT MANDEVILLE PLACE

The study *The Science of Political Economy* by Henry George continues on Friday afternoons at Mandeville Place in London. Anyone is welcome to join.

Lectures on Friday evenings will continue in the autumn. We strongly encourage all readers to stay informed about the Friday Meetings in London on the HGF website, where the program is updated regularly.

Go to:

<https://www.henrygeorgefoundation.org/events/friday-events>



BOOK LAUNCH

Clear some space on your bookshelves for *The Annotated Works of Henry George*, published by Fiarleigh Dickinson University Press with support from The Robert Schalkenbach Foundation and the Henry George Foundation.

The book is edited by Francis K. Peddle and William S. Peirce.


Volume I and Volume II are now available for everyone interested. Here is what to expect:

Volume I of The Annotated Works of Henry George includes an introduction to the six-volume series that focuses on the social context for George's political economy, as well as the public and private struggles that George faced. Tension between the dream of economic justice and different techniques to realize it proved a continuing challenge for the Georgist movement after its heady early years. Volume I presents three major works by George and new essays to provide context. George wrote Our Land and Land Policy (1871) while still a journalist in California. Fred Foldvary shows that George, even as a neophyte economist, wrote with uncanny insight and analytical skill. In The Irish Land Question (1881), George dove into the maelstrom of Irish land policy. Jerome Heavey provides the essential clarification of the history and politics of Irish land law and explains why George's remedy was not adopted. Property in Land (1885) incorporates the debate between George and the eighth Duke of Argyll. Brian Hodgkinson provides the historical and philosophical setting for this exchange between the Scottish aristocratic landowner and the American "Prophet of San Francisco."

Volume II of this series presents the unabridged text of Progress and Poverty, arguably the most influential work of Henry George. The original text is supplemented by notes which explain the changes George made during his lifetime and the many references he made to history, literature, economics, and public policy. A new index augments accessibility to the text and key terms. The introductory essay, "The Rhetoric and the Remedy," by series co-editor William S. Peirce, provides an overview of the historical context for George's philosophy of economics and summarizes the argument of Progress and Poverty within the framework of the economic theories of his day. It then looks at some of the early reactions by leading economists and opinion makers to George's fervent and eloquent call for economic justice.

Apart from online book sellers like Amazon.co.uk the book is available on The Robert Schalkenbach Foundation website.

Go to:

<http://www.schalkenbach.org/store.php> 

RELIGION AND THE LAND QUESTION: WHY SUCH A BLIND SPOT?

In a speech delivered on the 16th of August, 1967, Martin Luther King, Jr. asked:

Why are there forty million poor people in America? And when you begin to ask that question, you re raising a question about the economic system, about a broader distribution of wealth. ...You see, my friends, when you deal with this you begin to ask the question, 'Who owns the oil?' You begin to ask the question, 'Who owns the iron ore?' You begin to ask the question, 'Why is it that people have to pay water bills in a world that's two-thirds water?'

Uniquely among contemporary religious leaders, Martin Luther King, Jr. was at least somewhat familiar with the writings of Henry George. In King's final book, *Where Do We Go From Here? Chaos or Community*, he includes a quote from *Progress and Poverty*. Yet, he never came to embrace Henry George's solution to the land question as the necessary solution to poverty.

During the decades of Henry George's active campaigning, a small number of well-known religious figures publicly supported Henry George's principles. There was the Catholic Priest Edward McGlynn in New York City, for one. George also greatly influenced the Bishop of Clonfert and the Rev. Thomas Nulty in Ireland. Nulty wrote in 1880 that *Progress and Poverty* "was the best book ever written on political economy since the 'Wealth of Nations'."

In the early decades of the twentieth century, George's writings found a warm reception because of the work of the Henry George Schools. In New York, the list included Rabbi Michael Aaronsohn, who remained active until his death in 1976. The Rev. W. Wylie Young joined the faculty of the Henry George School in New York in 1942. Three years later he prepared a letter sent to seven thousand Protestant ministers around the United States, introducing them to Henry George's ideas. He followed-up with another letter at the end of 1945 to around 150 ministers who subsequently enrolled in the school's correspondence course, encouraging them to become teachers of Henry George's principles. Around 125 ministers requested copies of the teacher's manual. What then occurred will hopefully be revealed as I continue to research the events of this period.

Most successful of all was the Rev. Archer Torrey, who brought Henry George's ideas to the people of South Korea in 1965, when he established the Jesus Abbey in Taebaek. His influence is all the more incredible because soon after his arrival, Georgist literature

was banned, and nearly all of the copies of the Korean translation of *Progress and Poverty* were destroyed by the military dictatorship. For the next twenty years, Korean Georgists had to maintain a low profile to avoid persecution. In 1988, Rev. Torrey offered a unique insight into the tactics employed by landed interests to capture religious doctrine for their own advantage:

In the Bible, those who had a stake in proving that Moses was out of date – from Omri and Ahab to Ananias and Pilate – all had one thing in common – they were ready to shed blood if they could not silence their opponents any other way. But reducing their opponents to poverty and political helplessness was the preferred technique. It works in most places, but the Jews were so stubborn that it took a lot of bloodshed to silence people and get their land away from them.

Archer Torrey and Wylie Young both died in 2002. Since then no one from any of the religious communities has stepped forward to lift the torch of justice that fell with their passing.

A group of Catholic Georgists organized a trip to the Vatican in 1985 in an attempt to learn what had actually happened when the Vatican received Henry George's response to *Rerum Novarum*, Pope Leo XIII's encyclical on labor. The Catholic hierarchy paid no attention. In 2007, an exchange of views between Catholic scholars and members of the Georgist community was held at the University of Scranton in Pennsylvania. Unfortunately, these noble efforts achieved nothing of significance.

A paper written by Associate Professor of Law Ajay K. Mehrotra and published in the Winter 2009 issue of the *Loyola University Chicago Law Journal* puts all of this in perspective:

Ethical leaders and Social Gospel ministers were more tentative and tepid in their support of direct and progressive taxation. When church leaders did take a concrete and forceful stand on fiscal reform, they frequently gave their support to populist ideas, such as Henry George's single-tax, that had little practical appeal for elite policymakers.

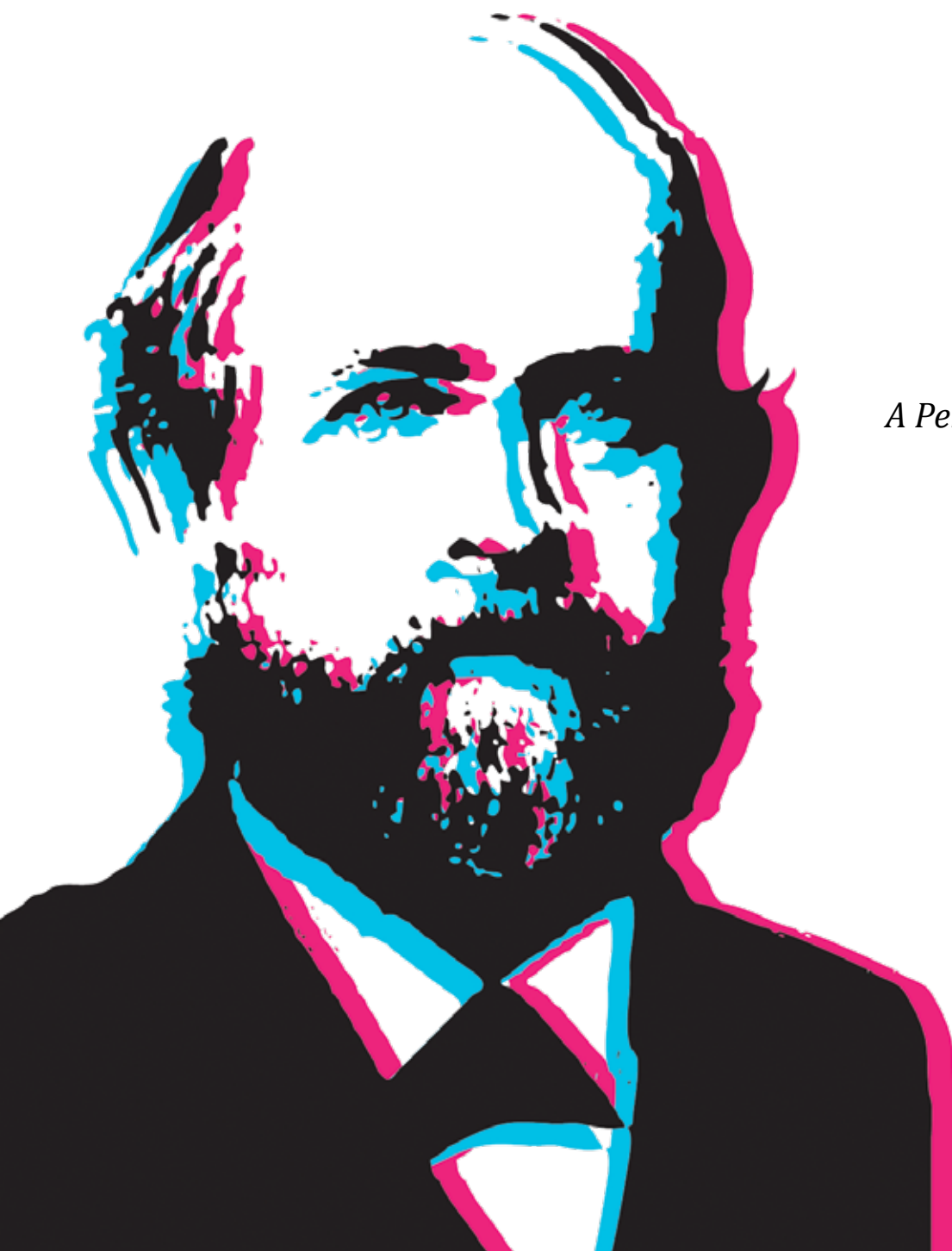
Perhaps the lesson is that those who study and then preach religious scriptures accept the fact that only a small minority of those who attend regular religious services think very deeply about the meaning of what is being said, particularly when what is being said challenges accepted conventional wisdom about societal arrangements and institutions. ■



...BUT I WOULD HAVE MEN
THINK FOR THEMSELVES.

”

Henry George,
A Perplexed Philosopher 1892



To find out more visit
www.henrygeorgefoundation.org
or
www.landandliberty.net

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, Hayek, 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.

This magazine is free, as are the meetings and classes of its publisher, the Henry George Foundation. However, we rely entirely on charitable donations of members, supporters and friends to survive.

To receive complimentary copies please send your name and postal address to:

The Henry George Foundation, PO Box 6408, London, W1A 3GY
or email editor@landandliberty.net

To make a donation or to set up a standing order to give us your regular support please fill in one of the forms below:

— My Gift to Help Advance the work of The Henry George Foundation of Great Britain —

Please find enclosed cheque for £ _____ Name _____ Address _____

To make a donation by BACS through the telephone or internet please use the following details:
HSBC Bank, Belgravia Branch, Sort Code 40-06-03, Acc. No. 51064320 or by PayPal through our website: www.henrygeorgefoundation.org

If you are a UK tax payer you can make your donation go further by making a Gift Aid Declaration. We get an extra 25p from HM revenue and customs. To make your donation Gift Aid please tick the box and sign below:

☐ Today ☐ In the past four years ☐ In the future I am a UK taxpayer and understand that if I pay less Income Tax and/or Capital Gains Tax than the amount of Gift Aid claimed on all my donations in that tax year it is my responsibility to pay any difference.

Name _____

Address _____

Signature _____

Date _____

If you are able to commit to a regular donation through a standing order that would be particularly welcome.

STANDING ORDER: Please complete and send to:
The Henry George Foundation, PO Box 6408 London W1A 3GY (Not to your bank)
To: The Manager (name and address of bank)

Post Code _____

Please pay: The Henry George Foundation of Great Britain A/C 51064320
Sort Code 40-06-03 at HSBC Bank, Belgravia Branch, 333 Vauxhall Bridge Road
on __ / __ / __ (date) and then every succeeding ☐ month ☐ quarter ☐ year
and thereafter until further notice or __ / __ / __ (date) the sum of £ _____

My Account No. _____ Sort Code _____ Name of Account _____

Holder _____ Signed _____

