

LAND & LIBERTY

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Issue 1254 Spring 2021

Rebuilding a United Kingdom

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Brian Chance

A Fresh Vision for Georgism

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Fred Harrison

*Post-Brexit:
Rebuilding a United Kingdom*

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Conall Boyle

*A Political Fix
For The English Housing Crisis*

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IT IS NOT THE BUSINESS OF
GOVERNMENT TO MAKE MEN
VIRTUOUS OR RELIGIOUS...



LAND&LIBERTY

No 1254 Spring 2021

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message from the honorary president

I live in the Borough of Epsom and Ewell in the county of Surrey i.e. in one of the wealthiest parts of one of the wealthiest countries in the world. Borough staffing issues and the recent County Council elections have drawn my attention to how existing national taxes are unjust, inefficient, ineffective, compromise the provision of local and national public services, damage local democracy, and have made family homes in my area unaffordable for a generation of young people.

The Borough Council recently advertised for a Senior Planning Officer at a salary of around £45k p.a. However, National Insurance charges and Income Tax increase the employment cost of this officer to £50k and reduces their take home pay to around £34.5k. On spending this, sales taxes (VAT and excise etc.) will reduce the officer's reward for working to £25.7k, i.e. roughly half the household income needed to rent or buy a modest (Band D) family home in Epsom. If the officer had a similarly earning partner however, they might just be able to afford one with each paying half of the £2.04k in Council Tax due. Each net reward for working would then be £24.7k, i.e. less than half the tax inflated costs to the Council of employing them.

Sadly this nonsense is not exceptional as every nurse, doctor, schoolteacher, shop assistant and labourer etc., as well as every private and public sector employer, every resident and the whole economy is damaged by the iniquitous way we currently collect public revenue.

Regular readers of Land&Liberty will be aware that there is a better way! If taxes on employment and purchases were reduced or abolished the costs of producing, and the prices of, essential goods and services would reduce. This would enable and encourage more forms of employment and increase the real earnings of individuals and firms, reduce housebuilding costs, make new homes more affordable, and increase the ability of households and firms to make an equitable contribution towards public expenditure. If this were based on the rental value of land people and firms would need to pay substantially less than at present while funding for public services would effectively increase. The rationale for this is that no individual or firm produces land and its economic value is entirely due to its location and 'permitted use', so it is a natural and community created value. While it remains uncollected for the community the price of homes become increasingly unaffordable and malign taxes become unavoidable.

Despite the obvious failings of Council Tax in its current form (a narrow banding system that hits the poorest households hardest and outdated valuations that include both building and land values) it neither increases employment costs nor the price of public or privately produced goods or services. This would be even more the case if, in a remedied form, based on land value only, it were to replace the 96% of other taxes that households currently pay,

In contrast with employment inhibiting taxes Council Tax does not play a part in 'tax induced poverty' nor the 'poverty trap' features of an ameliorative benefits system that accounts for such a large proportion of public expenditure under the headings of 'Social Protection', 'Personal Social Services' and 'Health'. In the tax year 2019/20 these categories absorbed more than 60% of all centrally collected tax revenue illustrating still further the scandal of an unjust, inefficient and ineffective fiscal system that fails in even the wealthiest parts of one of the wealthiest countries in the world!

David Triggs
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George observed that the human species is distinguished from all other species through cooperation and exchange: "All living things that we know of cooperate in some kind and to some degree. So far as we can see, nothing that lives can live in and for itself alone. But man is the only one who cooperates by exchanging, and he may be distinguished from all the numberless tribes that with him tenant the earth as the exchanging animal. Of them all he is the only one who seeks to obtain one thing by giving another. (*The Science of Political Economy*, Book III Chap. XI)

Political economy is essentially about the exchange of wealth, or more exactly, the *just* exchange of wealth. This essential nature of economics is generally overlooked in present economic analysis, where the quantity of production or investment are taken as the essential activity. But of themselves neither investment nor production bring about the flourishing of a just economy.

This is especially so when investment and production are regarded as means of private gain. Not only does this distort the economy, it also leads to false assumptions about economics. Again, George writes: "The power of a special interest, though inimical to the general interest, so to influence common thought as to make fallacies pass as truths, is a great fact without which neither the political history of our own time and people nor that of other times and peoples can be understood". (*The Science of Political Economy*, Book II, Chap. II) In this way, George argues, injustices and absurdities become common opinion, and few are able to challenge the fallacies propagated on authority.

The natural end of labour is exchange, not profit, not special interest, not private gain. Where there is just exchange, the increase in wealth becomes general. Then labour *contributes* to the common good where it occurs naturally and willingly. Through exchange labour become reciprocal, not to the advantage of one over another. Where exchange is not reciprocal theft will inevitably be present in some form of misappropriation of another's labour. Yet the legitimization of special interests, of gain to the detriment of the general increase, through monopolies or unjust contracts, is built upon fallacies that have become received opinion.

One way such a fallacy became common opinion was through the slogan 'trickle down economics', which claimed that the richer the wealthy few become the more wealth will trickle downwards to everyone else. On the basis of this fallacious idea market and monetary regulations were removed - dismissed as 'red tape'. The result was a widening gap between rich and poor, a steep rise in house prices as a proportion of income, and eventually the crash of 2008. The idea was sheer fantasy, but it had the power to obscure true economic laws.

Such false ideas arise from misconceptions about the nature of society. One such idea that has ruled since the nineteenth century is that if each individual serves their own self-interest the economy in general will flourish. This idea, promulgated by Herbert Spencer who conceived society as a competition between the strong and the weak, was challenged by Henry George, as it is in the passage we quoted above. Where the ruthless successfully exploit the majority it can *appear* to be the natural order of things, or at least an unalterable fact of the 'real world'. That is how false opinions gain a foothold.

But no false opinion or prevailing injustice can alter the truth of things. Human society flourishes only through mutual exchange. This is the insight that lay behind the medieval theory of 'just price'. Any exchange should be mutually beneficial. That is a law of human nature, and eve-

ryone intuitively knows it. It is true at the economic level, the educational level, the cultural level, and the everyday social level. How can a principle be true at one level and yet not at another level in society?

There is what George calls an 'incongruity' in the notion that the economy flourishes through self-interest. "...injustice and absurdity are simply different aspects of incongruity" (*The Science of Political Economy*, Book II, Chapter II.) The incongruity here is the absurdity that self-interest and freedom go together. George's opponents endlessly called upon 'liberty' as justification of self-interest - freedom of choice, freedom of contract, freedom of usury and so forth. But competing self-interests are incompatible with freedom. The only way to freedom is through cooperation and just economic exchange. There cannot be freedom without justice.

The present pandemic is beginning to bring to light social and economic truths long buried beneath false opinions. Ordinary people have made great efforts to support one another, and in an odd way social distancing has brought them together. Nevertheless, there is also a very dark side to this. Children deprived of school life with their peers has produced great psychological harm for many. Likewise with university students where socialising and working together is of the greatest importance. And those now working from home are feeling the detrimental consequences of isolation.

Freedom comes with participation, not from the pursuit of private self-interests. Human nature is constituted so that it can flourish only through working together in mutual exchange. This is true at the cultural, the social and the economic level. In economic terms it is established through just exchange. Where there is unequal exchange there is injustice. This is neither a 'collectivist' view nor a 'liberal' view. It is simply the natural order, which is a just order. It corresponds with our natural social inclination to share in and contribute to the common good.

On the darker side, we see the growing 'mental health' problems that are emerging in our society through an economy governed by misconceptions. The pandemic has come as a rude reminder that we cannot continue to exploit one another or the environment without serious consequences. Freedom of choice cannot legitimise the self-destruction of society or the ecosystem. Freedom comes through responsibility and, according to George, it is part of our human responsibility to understand the nature of society and the laws of economic exchange. There is a direct correlation between the quality of a nation's understanding of society and its well-being. Fallacious ideas about the nature of society manifest in injustices and economic impoverishment. On the other hand, a just economy nurtures culture and the flourishing of peaceful civilisation:

"If the diversities of climate, soil, and configuration of the earth's surface operate at first to separate mankind, they also operate to encourage exchange. And commerce, which is in itself a form of association or co-operation, operates to promote civilization, not only directly, but by building up interests which are opposed to warfare, and dispelling the ignorance which is the fertile mother of prejudices and animosities." (*Progress and Poverty*, Book X, Chap. 3)



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POST-BREXIT: REBUILDING A UNITED KINGDOM

The European Union's constitution enforces forms of behaviour that inhibit improvements to people's lives. But now that the UK is beyond the EU's remit, little will change for the peoples of the four nations of the British Isles. Before joining the Common Market in the 1970s, the UK employed doctrines, laws and institutions similar effects to those of the EU. Boris Johnson's Conservative government will not now transform those policies. So if the prospects of a qualitative shift in people's lives are low, why support Brexit?

The symbolism of withdrawal from the European project could inspire the four nations into re-negotiating their "unwritten" constitution and opting for a new path. The paradigm that makes such a shift possible does exist. We need to contextualise it in relation to the UK's prospects under current policies.

For the most part, the commentators are predicting a dismal future for the UK, with a long-run loss of output. Their forecasts are based on the simple fact that the UK has withdrawn from a large bloc, and is now on its own (the fifth largest economy in the world!), and has to compete with the giant US, Chinese and EU blocs.

The prognoses are largely correct, but not because of the size of the UK compared to the European free trade zone. Size has nothing to do with it. Consider Taiwan, which is dwarfed by its giant Chinese neighbour. Its GDP *per capita* is three times the size of China's, as measured on a purchasing power parity basis divided by population.

The sad truth is that the EU does not want the UK to prosper on terms that would expose the weaknesses in the European model. We saw the dog-in-the-manger attitude displayed by the way the European Commission fought hard to lock the UK into laws as adjudicated by its Court of Justice. And in the realm of trade, Brussels struggled to incorporate the UK into its notion of a "level playing field". The UK has now secured a trading arrangement which does, indeed, restore sovereignty to its Parliament. But under the doctrines that prevail within the Westminster model of governance, little will change from the practices that were pursued over the past 40 years. Boris Johnson promises to "level up" the economies of the outer regions of the UK, but he will fail for the same reasons that the EU failed to equalise life chances across its member states. The Mediterranean regions will continue to lag behind the Hanseatic states, and no amount of money dispersed as "structural funds" to southern Italy, Greece or the desolated communities of Spain will make a difference to the prospects for the deprived regions of Europe.

THE NEW GROWTH MODEL

The UK is now free to chart a new course, if it can retrieve the thinking that informed its governments in the early part of the 20th century. Back then, two budgets – in 1910 and 1931 – did attempt to lay new financial foundations. In essence, the plan was to shift the fiscal burden off people who added value to the

nation's wealth, by funding public services out of the unearned revenue that accrued to the owners of rent-yielding assets.

Those initiatives failed because the free riders – economists call them rent seekers – exercised the power to block the legislation. Back then, the rent seekers were numerically in a minority, and ensconced in the House of Lords. Today, however, land owning families are in the vast majority: the home owners of the UK. Their plots of land are modest, but they capture rents from those sites. If they chose to view the UK's prospects from the moral perspective, as well as the economic prospects for their children, they could mandate the revision to the way governments raise revenue.

What would that mean in terms of the UK's chances of prospering outside the EU? Consider, first, the minimal prospects, taking into account the scarring effects of the Covid-19 pandemic.

The UK economy has been made – intentionally – to under-perform its potential for at least three centuries. Under the burden of the fiscal regime imposed by the rent seeking aristocracy, people's earned incomes were arbitrarily taxed in ways that dislocated economic production and the quality of their lives.

The UK Treasury refuses to publish estimates of the deadweight costs of its taxes. My central estimate is *circa* £500 billion lost, every year, in wealth and welfare. This is likely to be an under-estimate. Still, it far eclipses the £150 billion which the Treasury would have to admit to, based on its "excess burden" estimate of £0.30 lost for every £1 it collects.

A strategy of incrementally shifting away from the deadweight taxes would automatically grow the UK economy. All that Parliament need do is adopt the 1931 legislation to raise revenue from rents. The effects, within the British Isles, would be electrifying.

- Socially: communities depleted by the discriminations of the past, and the Covid virus, would rebuild themselves organically.
- Psychologically: the mental health of millions of people would begin to heal as despair was replaced with hope for the future.
- Economically: levelling up would begin as the burden of taxes on the regions were abolished, inspiring an increase in productivity.

All of this, even within the Isolated State model! People's trust in governance would heal as the buoyant budget funded the services that they needed to share in common: more teachers and nurses, repaired infrastructure, and the traumas of the past gradually replaced by a new vitality.

A GLOBAL POWER?

Britain prospered in the past because of its imperial model of growth. This was a land-and-rent grabbing project, extracting the net incomes of other territories and investing the proceeds within the British Isles.

Fred Harrison is a former journalist who works today as an author and commentator

Under a post-imperialist model which the UK is now free to create, the four nations could re-engage with the world on new terms.

- Economically: with costs of production lowered by the removal of taxes, UK exports would be welcomed in the global markets
- Culturally: the UK would share its creative assets on friendly terms, powering innovative relationships with other nations
- Diplomatically: in a world facing existential crises, the UK would offer a blueprint to help others to address the threats that loom.

None of this can be achieved under the model of governance that currently prevails in Westminster. But all of it is practical, for many reasons.

- Politically: Parliament merely has to go into its archives and dust off the 1931 Act for the template of new legislation
- Empirically: The fiscal formula is tried, and tested, by countries as diverse as Denmark, Taiwan and Australia
- Existentially: Rent and revenue reform is proportionate to the nature and scale of the looming economic and ecological crises.

Armed with a new vision, the UK would not confine itself to the role of an Isolate State. It could assert itself globally on terms that would be welcomed by all except those states that are administered by autocrats.

WHAT OF THE EU?

Brussels would resent a flourishing Taiwan-type growth model off its shores! But under the terms of the trading deal it has signed with the UK, it cannot claim that Westminster was creating unfair advantages for British exporters. Why not?

- Fiscal reform would be on a revenue-neutral basis: the disgrace of austerity, the default strategy of debt-funded governance, would be a thing of the past
- Funding of growth sectors (based on science and IT), would attract foreign investors who were equally free to locate in Paris or Berlin
- The UK government would not subsidise enterprises, which would be required to honour their responsibilities to consumers and communities

The EU could not complain. But it could emulate the UK growth model – and, thereby, place its producers on a “level playing field” with the UK! By its demonstration effect, Britain would reveal itself as a friendly neighbour willing to help others to flourish in the future on mutually beneficial terms. It would do so, however, on the basis of renewing communities within the UK in a way that could not be censured by the European Court of Justice.

- Rural communities: tax-funded subsidies that have hitherto been converted into higher land values would be terminated. Young farmers would no longer be priced out of agriculture by land owners.
- Fishing communities: with greater access to fish stocks under the current withdrawal arrangements, the seafaring industry can expand its fleet to meet the UK’s favourite dish – fish and chips!
- Regional economies: with government budgets funded out of

the UK’s net income, people’s life-chances would be upgraded as people enjoyed equal access to rent-funded public services.

These outcomes, within the UK, would expose the double-speak that is used to preserve injustices within Europe. An example is the EU’s “right to freedom of movement”. This mantra is a cover-up for an ugly reality. Within the southern and eastern regions of Europe, people lack the *right to remain* in their communities. If we follow the money trail, we see that most migrants are driven out of their villages by forces that are animated by tax burdens.

Consider the demographic crisis in Spain. Its regions have received billions of euros from Brussels over the past few decades to fund infrastructure that was supposed to elevate the quality of life in rural communities. The money was wasted on new highways that primarily served to raise the cost of residential land in choice locations, as rich urbanites purchased or built hideaway second homes at the end of the motorways.

Today, over 75% of municipalities in Spain are declining in population as people flee their home communities in search of work in Madrid and Barcelona, or further afield in London and Berlin. Nothing will now change as Spain invests the €140bn it expects to receive from Brussels as Covid crisis funding. Most of that money will ultimately be converted into higher rents and land values, thereby reinforcing rural depopulation.

THE TIMETABLE

Fiscal reform is practical politics. An increasing number of people within the UK support changes to property taxation. Nevertheless, based on a hard-headed appraisal of the politics of the past century, I have concluded that the policy needs to be located in a new narrative.

Our world has moved on from the conditions that prevailed in 1910. Reform will only occur if people authorise, by means of a democratic mandate, a shift in the character of governance. The peoples of the four nations now have the opportunity to redefine their future in ways that would not be permitted if the UK had remained the 28th member of the European Union.

But the timetable is tight. The Brexit deal means that the UK will have to re-enter negotiations with Brussels in 2025/26 over the allocation of fishing rights, and the terms of trade involving automobiles.

Worse still, in 2026 house prices across the globe will peak. That will topple economies into a depression that will eclipse the events that followed 2008. The UK could weather that storm if it started to build the resilience that is one of the rewards of the revenue shift off earnings and onto rent. By initiating reforms to property taxes in 2024, and to entrepreneurial profits in 2025, people would automatically begin to construct defences against the events that will erupt at the end of the decade.

In the process, the UK would be renegotiating its constitution, but this time on the basis of a financial agenda that equalised the prospects of everyone across the British Isles. That prospect is now the choice for the people of the four nations. 🇬🇧



Conall Boyle taught urban economics to surveyors and estate managers at Birmingham City University. Now in retirement in Wales has various interests, including cycling and local history, but keeps returning to the mystery of the non-implementation of land value tax

A POLITICAL FIX FOR THE ENGLISH HOUSING CRISIS

Why has there been so little progress on Land Value Taxation in England? With so much impressive moral, ethical and philosophical support for LVT, you'd think that governments would be delighted to bring it in. When economists from Ricardo onwards sing its praises then surely it must be a no-brainer; politicians and administrators should be clamouring to implement it. But no; since as far back as the 1909 People's Budget, LVT has failed to be enacted. If, as I believe, LVT is the best and possibly only way to fix the housing crisis, I am keen to explore what is preventing it. But realism dictates that any proposal to change the tax system has to pass the practical politics test. Will any politician, wanting to be re-elected, stick his or her neck out to promote even a small amount of Land Value Taxation?

WHAT HOUSING CRISIS? PRICES GONE MAD

Is there a housing crisis? Are houses too expensive, shoddy and too small? Is there a need for many more new houses, better suited to modern lifestyles? Of course there is! Recognising that there is a crisis, politicians love their wheezes claiming to 'help' home-owners, especially first time buyers. Unsurprisingly their schemes always have the same result—prices keep rising, making things worse. Most pundits use the clever throwaway line "To fix the crisis, build more houses!". It is true that once a properly functioning housing market is established, then more newly-built houses and lots of them—millions more—will be the solution. But for now, in today's warped housing market the 'build-more' solution simply cannot work. Instead, what would help the market right now would be a drop in prices. Fix that first and then, in time, as I hope to show, the other features of the crisis—shoddy, poky little homes, and far too few of them—can begin to be addressed.

But are there any popular policy options that might appeal to politicians, which will begin to bring down house-prices? My suggestion is that replacing one unpopular tax — Stamp Duty — with a small Land Value Tax would be both politically practical and bring down house-prices a bit. Once this small change has bedded in, politicians would then feel comfortable switching yet more property taxes to LVT. The hope is that, eventually, as more LVT is introduced house-price levels should come down, so that nearly everyone can afford to buy or rent a home in all parts of England.

I have a lot to establish here. For a start, how could a switch from Stamp Duty to a small LVT be politically popular? If it was enacted, how soon would it have any effect on house-prices?

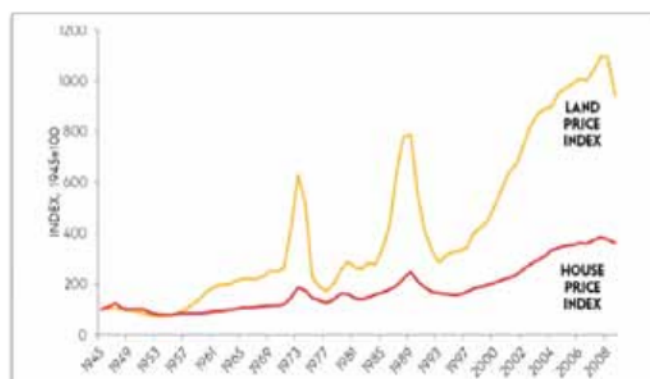
But before I get into the details of my proposal to use LVT to bring down prices, I'd like to review a few basic facts about house-prices and the housing market. This will probably be familiar to most readers of Land&Liberty, but please bear with me! There is a lot of misunderstanding out there about what is *really* causing 'house-price' inflation.

THE MAIN DRIVER OF HOUSE PRICE INFLATION — LAND

Of course, it's not house prices that are rising. A house is a man-made artefact, and depreciates from the day it is built. What is going up, and nearly always faster than inflation generally, is the price of the land the house stands on.

Housebuilding Costs: Currently house-building costs are typically about £1400 per square metre (2018-prices), so a typical 90 m² 3-bed semi will cost about £120,000 to build in almost all parts of England. The good news is that this price (adjusted for inflation) has not increased over the years. But the bad news is that unlike, say, cars, televisions or computers it hasn't dropped either, but that's a story for another time.

Land prices are different: There is huge variation in the price of a plot of land for housebuilding, and, as we all know, the price depends on its location. Unlike building costs, land prices have been increasing faster than inflation generally, faster even than 'house-price' inflation. This graph illustrates this picture: Despite some ups and downs, the trend in land prices is ever upwards. (The graph can be found in *Rethinking the Economics of Land and Housing* by J. Ryan-Collins, T. Lloyd and L. Macfarlane published 2017).



But it's not just newly-built houses that are affected by this land-price hyper-inflation. The majority of all house-sales (80% or more) are of second-hand properties. Their price is affected by land-values to an even greater extent. Since the house itself cannot be 'worth' more (apart from significant improvements), the only explanation for the huge rises in 'house'-prices is the inflation of the price of the plot of land it stands on.

How is the price of a plot of land worked out? Does this sound like a silly question? It's obvious how a loaf of bread, or a television set, or even a haircut gets priced. These things have a cost of production, and a value in use. Land is different. A plot of land generally costs next to nothing to produce and has little intrinsic value apart from its agricultural value. As readers of Land&Liberty well know, it is Society, not the land-owner that creates this price/value in the plot of land. Availability of land is to some extent limited by location; planning restrictions limit the supply of land even more, again societal value creation.

But how do people manage to pay these ever-inflating prices for the land with a house? This is where the banking system comes in. Few house-buyers can afford to pay the full asking price, so a loan is needed. Banks, through their privilege to create our money, fund the mortgages that enable the buyers to pay for the land and the house that goes with it. Here's how economist Ryan Collins explains it:

"Firstly, banks are not, primarily intermediaries: banks create new money when they make loans—as the Bank of England recently made clear—so intermediation is a misleading term. Second, in advanced economies, the main activity that banks engage in is domestic mortgage lending; not business lending. Thus, in the UK today the majority of new money created for the purchase of existing land and housing—existing assets rather than new, productive assets that enable the economy to expand. And given the limited supply of new homes, the result has been systemic house price inflation well beyond the growth of the economy."

What is the big incentive to buy? It is not just the status of 'home-owner' that encourages the majority of the population to mortgage themselves to the hilt to buy a house. There is a much bigger prize at stake. Because house prices always go up, or so it is said, we can all join in this racket, thanks to bank loans secured on the ever-rising value of land. This is the huge attractor, and is the basis for the 'Great Home-Ownning Democracy' espoused by Margaret Thatcher. It's all about getting rich on the uplift in value of the land. No effort or merit is required for this capital appreciation; all you need to do is own a piece of land in the right area with a house on it. Then watch your net wealth—house price minus outstanding mortgage—soar.

Three possible ways to fix the cost of land for housing: If the driver of high prices is the inflated cost of the plot of land the houses are built on, how might this cost be taken out of the price of the house? As I see it there are three possible fixes, which should start to take land values out of house prices:

One way might be to crush the banks' ability to inflate land values through easy mortgage lending. It's been done before. Prior to the 1970s liberalisation, banks were discouraged from lending on mortgages. It was Building Societies that issued almost all the mortgages, and they were severely restricted, lending only the money they had on deposit. (This is a bit of an over-simplification,

but true in essence). And it worked. As you can see from the graph, house prices remained fairly flat until 1972; then came the first financial liberalisation allowing banks into the mortgage market. More easing of controls on banks followed—as did more house-prices booms.

Governments have been very reluctant to curb the power of the commercial banks to create the money to make loans, especially for mortgages. Even after the Global Financial Crash of 2008 there was a feeble but promising attempt in 2011 to levy a tax on bank deposits but this is gradually being watered down. Instead, the Bank of England's 'emergency' policy of Quantitative Easing has steamed on for ten whole years. The house/land price boom has resumed, fuelled by easy money. Politicians are clearly scared of bringing the banks to account.

A second way to stop land values rising is for government take over the ownership of the land. That way the Government could collect all of the ground-rents which are the financial benefit of land-owning. True, this would deprive existing home- and land-owners of their unearned land-wealth appreciation, but it would provide a huge opportunity to reduce other forms of property taxation. But that's Communism! So it is, but it's also how the economic powerhouses of Hong Kong and Singapore work. It may be a colonial legacy, and it might not be fully understood even by the local politicians, but it works very well. There's even a modern-day advocacy of an English 'People's Land Trust' whereby the state or local authorities would gradually acquire the land under all the houses in the country. It would work, but the State owning all the land? That really would be the road to serfdom. What politician would push for such a policy?

But the one fix that I am sure will work is to introduce a Full-Value Land Tax. This way home-owners retain all their rights to use their own land as they wish, but pay an annual 'rent' which reflects all the value that Society has created in the plot. Land Value Tax would, of course, be used firstly, to eliminate all other property taxes.

Home-buyers and sellers will continue to be free to trade their properties in this new full-on LVT world. What they will discover is that the price for a house would be virtually the same in all parts of the country. Brand-new houses would have prices, which reflected their build costs (typically £120,000). Because of normal depreciation, second-hand houses would be cheaper.

In this hypothetical world of full LVT the price of the plots of land would be near zero. Since variations in LVT reflect the community-based value created in the land, in less affluent parts of England the LVT charge would be quite small, less than £100 per year. In suburban London it could be £10,000 a year or more. Although variable, an average LVT should be about £4,000 a year.

As well as reducing and equalising house-prices throughout England I would anticipate further dynamic effects. Freed from the burden of land speculation, the house-builders would start competing to build better houses and more of them. This in turn would energise the private rented sector and even the social housing would benefit too (if it was still needed). This may sound like a 'too-good-to-be-true' fairy-tale, but it happened once before. During the 1930s more houses were built per year in England than any year before or since. These 1930s semis were well built and are still an attractive buy today. Given the right



conditions, mostly cheap land, the house-builders can do it! They can produce good quality housing in abundance at prices almost everyone could afford.

But all this is only a hypothetical scenario. Is there any practical, politically savvy proposal that would be the first step towards this full-LVT world?

Yes. Take one unpopular tax on property and replace it with a small amount of Land Value Tax. When asked the great British public thought that the most unfair tax of the lot is Inheritance Tax. Then going down the unfairness scale came Stamp Duty, TV Licence, Fuel Tax and VAT. Taxes on Cigarettes and Alcohol were deemed 'fair', as was National Insurance and Income Tax. Surprisingly, even Council Tax was felt to be fair-ish, which should be a warning of the political pitfalls in store for those wanting to switch it to LVT.

So would getting rid 'Death Duties' — Inheritance Tax (IHT is the usual abbreviation), be the canniest political move? IHT is certainly the most hated tax, so a switch to LVT might be easy. I will make a suggestion for abolishing IHT later on, but for now I'll stick with Stamp Duty or Stamp Duty Land Tax (SDLT) to give it its full official name in England. This should be the easiest tax to abolish and switch to LVT. As a bonus it has 'Land Tax' in its name!

The politics of SDLT: In an odd way Stamp Duty (SDLT) is 'voluntary' — you only pay SDLT if you choose to buy a house. SDLT also seems 'fair' because it attaches to a sum of money, which is changing hands. The Chancellor of the Exchequer gets away with it because, at any one time, not so many voters are hit by SDLT. Only one or two million houses are bought each year, so only about two or three million voters get hit by SDLT. Chancellor Osborne (2010-2016) was particularly cavalier with SDLT, changing the rates frequently, and gaining political kudos by imposing draconian rates on buy-to-lets and million-pound plus mansions. Unlike Thatcher's Poll Tax in the 1990s, there were no mass protests in the streets against these steep rises in the top rates of SDLT.

The Economics of SDLT: Because it is paid up-front, house-buyers lose out. This discourages sellers too, with fewer houses being put on the market. Employment Economists have identified SDLT as drag on the job-market, stifling transactions. In their ideal world, workers would face few impediments to moving to where the jobs are. If this involves selling your house and buying another, then this tax discourages the free movement of labour. Since SDLT is imposed every time a house is bought, this is especially onerous on those heroes of the flexible labour market, the frequent job-changers and movers.

So SDLT is both unpopular politically and a tax, which badly warps market incentives. It is ripe for reform or replacement, but abolishing altogether would mean losing a very traditional, long-accepted tax.

How best to bring in the new mini-LVT: At the next Budget it would be a straightforward to announce: *"As from next May 1st domestic property transfers will no longer be subject to Stamp Duty. Instead, there will be an annual levy on the land-value of the property of one-third of one percent."* The proposed mini-LVT replacement would, like SDLT, be a 'voluntary' tax, and would be a clean break with the old Stamp Duty. There would be no need for

parallel trialling. So the campaign slogan to sell the change might be *"House-buyers: Don't pay a big lump of SDLT now. Spread your payments out as a yearly charge of just one-third of one percent of the value of the plot of land your house is built on."*

The first pseudo-problem that critics will jump on is: 'How do you value land separately from the house standing on that plot of land? And what about flats, etc.?' I used to teach real estate valuers, and I can tell you that they are perfectly competent and have years of experience and knowledge to do such valuations. Since the Land Registry will still be notified of all transfers, they, in collaboration with professional bodies like the Royal Institution of Chartered Surveyors could swiftly agree a protocol for calculating land values for 99% of cases, including apartments in blocks. The tiny remnant of difficult cases could be resolved through a Tribunal. Modern Data Analysis will help, too.

Where did I get the figure of one-third of a percent of the land value? We can assume that the Chancellor of the Exchequer aims to be 'revenue neutral', and generate as much in tax revenue (about £8.5 billion) from the new mini-LVT as the old Stamp Duty before. By my estimate a third of one percent levy on the value of the land would soon produce the same revenue stream as before.

How will the new annual LVT be paid? Stamp Duty is a national tax, so it would be reasonable to continue this, and make use of the usual income tax arrangements: LVT might mean no more than an adjustment in PAYE allowances. In this way the payment of LVT is just another deduction in the monthly tax bill. Voters are far more aware of, and likely to complain about, any one-off tax demand. It is good politics to have taxes paid as a small steady amount.

AVOIDING THE PITFALLS

Annual Re-valuation of Land Value Politicians might give less prominence to the fact that this would be a dynamic tax. The land-values would be subject to annual re-rating. Allowing several years if not decades before revaluation has been a major failing with many previous property tax systems. Politicians, in a state of funk 'postpone' the re-valuation, leaving an even worse problem for those who come after them. With the help of modern computer-based valuation techniques, annual re-valuations of all land-values would be easy and cheap to implement.

One positive implication of regular revaluations of land values could be a reduction in your LVT bill if local economic conditions worsen. On the other hand, home-owners who faced a major hike in their LVT charge because a new high-speed transport link was proposed nearby would be less pleased. It's good politics to make these changes up or down in the smallest possible steps. In this way the new LVT becomes a dynamic tax, based on current, local economic conditions: Crucial in sending the right market signals.

Winners and Losers: To make any new tax easier to sell, politicians often look for some means to compensate the losers. In the case of the new LVT might it be advisable to add on allowances or exemptions? Maybe there isn't a problem. As I've said, this is a 'voluntary' tax. If you don't want to pay it, then don't buy a house or flat. Since the new LVT is a straight replacement for the old Stamp Duty there will be no need for parallel running while bringing it in. But is that enough, politically? Can we rely on home-buyers forgetting how the old SDLT worked? It was steeply progressive. A property costing less than £125,000 paid no Stamp Duty; to buy a million pound mansion in Chelsea would once have cost at 10s of £1,000s in SDLT.



This might become a political 'bear trap'. A very modest proposal to investigate land-value taxation by Labour in 2017 General Election had the rabid right-wing press furious. Now imagine what they would say about my scheme: "Getting rid of Stamp Duty is just the first step towards Garden Tax". If we do nothing to compensate losers, perhaps the fuss will soon die down. It's new, and even for the losers it won't cost much: £50 or £100 per year, scarcely visible when paid as an income tax deduction. Home-owners will soon forget that strange old beast that used to be called Stamp Duty, and anyway people have short memories for this sort of technical detail.

How the new mini-LVT will bring down house prices The whole point of embarking on the political peril of ditching Stamp Duty and replacing it with a small LVT is to drive down House Prices. So will a little bit of LVT do the trick? How would it work, and by how much will prices fall?

First off are the benefits of abolishing an economically damaging tax. If Stamp Duty (SDLT) was abolished, according to one report an additional 45,000 property-owners would be encouraged to put their houses on the market. Another report is even more positive. Abolition of Stamp Duty should result in between 80,000 and 200,000 more houses on the market. More sellers will increase the supply of houses, which should result in house-prices coming down a bit. If this new, small LVT was to be extended to the housebuilders' landbanks, this would create another nudge for them to get on and build.

Secondly, LVT will bear down directly on land prices. Economic theory says that the rational reaction of the house-buyer should be to calculate that something like 10% of the Land Value has been taxed away in perpetuity by LVT, so the 'House Price' (in the new reality it's the building value + 90% of the Land Value) should be marked down. Instead, the 'irrational' house-buyers might be tempted to think "By not paying Stamp Duty I've got a bit more money to play with for now, so I can bid a bit higher." Normal human beings don't behave in the ways economists predict.

Quite soon though, the penny will drop. The mortgage lenders, who *should* act rationally, will be well aware of the reduced equity caused by this partial LVT. If they don't, then maybe the regulators will remind them, forcibly, by requiring the lenders to offer less by way of mortgage. Purchasers of property may be enthused at the lower pay-outs at the time of purchase, but it is the job of the lenders to curb their enthusiasm.

THE FINAL ACT

As the years roll by and more houses are sold and bought, so yet more properties will be scooped up into this new mini-LVT net. The scope of mini-LVT can be extended in other ways too. Including property, which is transferred, free of charge, which at present attracts zero Stamp Duty, is one example. Then, after maybe ten or fifteen years, this mini-LVT it might apply to as many as three-quarters of all homes. It would then look odd that the remaining quarter of properties were tax-free. This would be the point when governments could include all properties in the mini-LVT net. (This was the technique used by governments to abolish tax relief on mortgage interest payments; it took more than 15 years to reduce it in slices, but in the end there was little complaint at its total abolition).

Of course the final act will catch home-owners who not moved for a long time—typically those symbolic victims, the lone elderly

living on in a large family home. It is usual for proponents of LVT to offer some kind of exemption or exclusion for these hard cases.

Or maybe we could do something a bit cleverer, which would be attractive to these long-stayers. We could make them an offer, which would be attractive to the property-rich, cash-poor: Invite such householders to be included in a higher rate LVT, but in return for exemption from Inheritance Tax and Capital Gains Tax. An attractive offer would be exemption from the 'Dementia Tax' (the confiscation of nearly all your property wealth to pay for your long-term stay in a care home). Just like the process of converting Stamp Duty into a small amount of LVT, these elective conversions will get home-owners familiar with the bargain. In time this could be expanded to include all home-owners.

The final step: Turn Council Tax into an LVT. This is a large and highly salient tax on property. It ripe for conversion to LVT, and for many Georgists it is the first tax they would like to convert. But this is a political minefield. English local property tax has gone through changes from the Domestic Rates, through Poll Tax and now Council Tax (CT). The charging system is highly politicised. But CT is important because it generates a significant amount of revenue. For this reason, I'd say that this should be the last tax to convert. In the long run, as home-owners get used to the LVT system they are then more likely to accept such a switch. By that time the real benefit of LVT — the emergence of a plentiful supply of good, cheap housing — will encourage them to welcome the final switch from Council Tax.

WHAT HAS BEEN ACHIEVED BY THIS PROCESS?

It may have taken 15 or 20 years in my scenario just to complete the final switchover from Stamp Duty to a small Land Value Tax. Limiting my proposals to what is politically possible may seem craven, but does anyone remember all those post-WW2 attempts to capture the windfall gains from the grant of Planning Permission? The history of the Betterment Levy as it was sometimes called is instructive. First it was imposed by one government (usually Labour), then dumped when the alternative (Tory) party took power. This happened several times. All that remains now is the inherently corrupt 'Section 106 agreements' as a feeble attempt to capture windfall gains of landowners obtaining planning permission. By using a slow but sure means to introduce a small rate of LVT, it should stable enough to withstand changes of government.

A crucial advantage to the introduction of this small but continuing LVT is that the mechanisms and definitions for 'land value' become established. Beginning with a small number of cases, the methodology for valuation of the land under an existing house can be securely established. The general public, too, will become familiar with the concept of land value, and start to make more sane judgements about house prices, being as they are an amalgam of the depreciated value of the building and the societally-created value of the land it sits on. These are vital understandings that need to be brought home to the widest possible number of the electorate.

But what of my original claim to fix the English housing market, to make houses cheap and plentiful, and of superior quality? I am confident that once the initial slice of LVT is established and its beneficial effects take hold, voters will be clamouring for the politicians to replace all property taxes by LVT. It may take decades to get there, but we need to find an immediate political way to start on LVT. ■

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

A FRESH VISION FOR GEORGISM

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

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

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

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

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

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

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

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

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



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

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

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

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

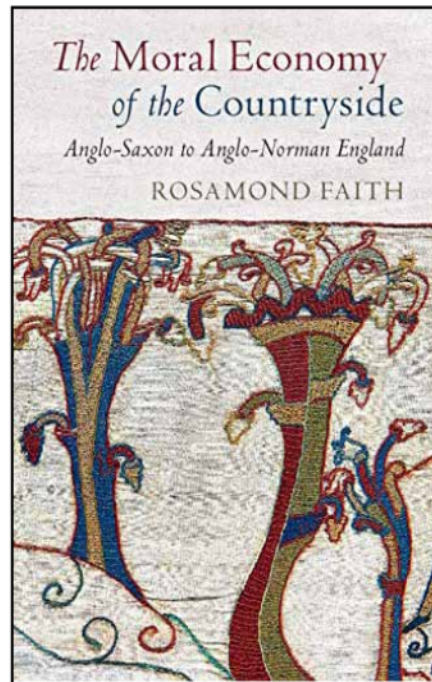
with minimum disturbance to current tax arrangements. For this reason it will be better to start with the modification of existing taxes, with development into a full land value levy to follow in due course. A report by the Wealth Tax Commission suggests only a one-off tax (albeit in five annual instalments),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

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

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

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

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



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

Reviewed by Edward Barnett

Cambridge University Press, 2019
ISBN: 978-1108487320

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

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

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

Faith references both in the introduction and clarifies by Moral Economy, she is concerned with a seeming paradox:

"The households of the powerful were fed by the labour of the households of the less powerful, the peasantry. Yet appropriation of a precious asset, peasant labour... is surprisingly difficult to explain. It did not result from and was not sustained by a shortage of the basis of any peasant labour: land."

In essence, she examines the 'Moral Economy' of a system that rests on the seeming exploitation of land working peasants by social elites. It is in the comparison between the pre-Conquest society and the later, more overtly feudal system, that much of the book is dedicated.

Faith demonstrates with great clearness that pre-Conquest society depended upon an "invisible network of obligations" which was often based on custom and little in the way of coercion. She goes on to confirm that "Peasants in Anglo-Saxon England, as far as the law was concerned, were free people". Which stands in stark contrast to the later, feudal system, which stripped individual families of direct rights to the land and became to all intents and purposes, tenants.

The book is not written with a pure focus on the land, but rather the common experience of the average person of the time. It just so happens that that question can only be answered through reference to the land – the common treasury all depended upon. It is the gradual erosion of those rights Faith points out that created the impression for later peasants, that a Golden Age had been lost.

For those with an interest in the land this book is essential reading, as it shows an economy based on shared benefit of the land requires consent and buy-in. Faith skilfully charts the problems that occur when land ownership is restricted or stripped from those who once had it. We might do well to consider our own moral economy today. 📖

BOOKS WORTH READING

The 2020 publication *Understanding Affordability: The Economics of Housing Markets* by Geoffrey Meen and Christine Whitehead provides a broader analysis of the UK housing market that covers both the demand-side and supply-side of the problem - including the modern historical context. A particular focus is on the crucial role of planning in the housing market. The book also provides policy suggestions and recommendations, including property tax solutions (which the authors find politically unrealistic). The book provides well-written insight into the mainstream econ-thinking surrounding housing in the United Kingdom - and does manage to highlight behavioural factors; particularly the importance of housing (in the broadest of terms) as a "positional good". 📖



HGF BRIEFING NOTES

FRIDAY MEETINGS AT MANDEVILLE PLACE

As we briskly move towards summer time in the UK our Friday study groups at Mandeville Place continue with the themes from the Spring Term.

The Summer Term Programme begins the 7th of May and spans consecutive Fridays until the 23rd of July. Half Term being the 4th of June.

The Afternoon Study Group is led by Tommas Graves. The timeslot remains the same, from 2:30 P.M. to 4:00 P.M.

The work in focus is *Progress and Poverty* - continued from spring - and may be joined via Zoom:

Meeting ID: 838 8066 6680

Passcode: 544247

Correspondingly, the Evening Study Group is led by David Triggs, with the evening timeslot being from 6:45 P.M. to 8:15 P.M.

Here the work in focus is *The Science of Political Economy* - also continued from spring - and may be joined via Zoom as well:

Meeting ID: 879 4440 8537

Passcode: 603155

The meetings have been moved online to ensure the health and safety of everyone involved. Donations continue to be welcome. Admission is, of course, free.

THE ANNOTATED WORKS OF HENRY GEORGE

The Annotated Works of Henry George IV (Vol. 4) has just recently been published by Fairleigh Dickinson University Press. The volume is edited by Francis K. Peddle and William S. Pierce and arrived in physical and, primarily, virtual book-stores this March.

The decidedly relevant *Protection or Free Trade*, first published in 1886 is the subject matter in this fourth volume. As pertinent as ever with modern nation states - near and far - turning towards unmistakably protectionist policy solutions.

For those interested this new volume can be ordered via the following ISBN-13 number: 978-1683931973. The Henry George Foundation of Great Britain proudly part-funds each published volume of *The Annotated Works of Henry George* series. 📖

WHAT MAKES A TAX GOOD?

Brexit means that the UK is no longer obliged to have Value Added Tax (VAT) and now is the appropriate time to rethink the way that revenue is obtained to fund the necessary functions of government. The huge budget deficit needed to pay for Covid has increased the need for radical tax reform.


In 1954, France was the first country in Europe to introduce a national Value Added Tax (VAT) and persuaded Germany and other "Common Market" (EEC) countries to adopt VAT. Any country wanting to join the EEC had to have VAT. It was introduced in the UK in 1973. VAT is the most harmful to economic activity of all the harmful taxes. It is by far the largest of the indirect taxes and harms poor people much more than the rich. The poorest fifth pay about 31% of their take-home pay in indirect taxes, the richest fifth pay only 13%. By inhibiting trade in goods and services through increasing their final price to consumers, VAT inhibits employment and the production of wealth so that it reduces its tax base. For every pound collected in VAT, the national economy is reduced by about three pounds.

The USA has no Federal sales tax, the Constitution does not allow it. Individual states have sales taxes but the rates are low, competition between states keeps them low because customers would trade in the states with the lowest tax rates. Since individual states cannot increase revenue by increasing sales taxes, they rely more on taxes on property. This is one reason why the US economy suffered less badly than that of the EU after 2008.

VAT is a popular source of income for fraudsters, and this particular tax is very expensive to administer, both by HMRC and by those who have to pay.

But VAT is the favourite tax of politicians. They approach the taxing of people's earnings like plucking feathers from a live goose; that is, to remove as many feathers as possible with the minimum of hissing and squawking from the goose. Their economic advisers do not dissuade them because these economists do not bother to record the relative harm done to the national economy by any of the various taxes on earned incomes. VAT is preferred because people protest less compared to increases in other taxes, even though they are not so harmful to them, being unaware of that fact by being kept in ignorance.

The only source of revenue, which has all the features of a 'good tax', is Land Value Tax (LVT), which is the collection of the annual rental value of land and other natural resources, such as the electromagnetic spectrum. Its collection is directly related to the ability to pay; it does not hinder employment and trade, it increases the value of its tax base by optimising the use of land; its costs of administration are low and there are no opportunities for avoidance or evasion. None of the existing taxes comply with any of these criteria.

There are many who would object to the introduction of LVT because they would consider themselves to be losers but the number of losers is growing because present taxes are the cause of increasing inequality. The rich have become much richer over the past four decades and the poor have become poorer; as investment in landed property has been favoured with tax exceptions and earned incomes have stagnated. Young people despair of ever owning a house to call a home and rented accommodation takes an increasing share of after-tax earnings. As inequality increases, democracy declines through the rich gaining more influence over political decisions. 

...OR TO PRESERVE THE FOOL
FROM THE CONSEQUENCES OF
HIS OWN FOLLY

”

Henry George,
Social Problems, 1884



To find out more visit
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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 through 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, Shaw, Huxley, Helen Keller, Woodrow Wilson, Stiglitz, and Friedman. Today, as the world faces environmental and economic crises, we believe George's philosophy is more relevant than ever. But, as George foresaw in *Progress and Poverty*, and is inscribed on his gravestone:

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

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

He saw how taxes discourage wealth creation, positive economic activity and employment, and prevent people and nations from realising their full potential. By ignoring property rights they constitute 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 the 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 these laws of nature as operating everywhere, at all times, and throughout a creation that includes man and society, and the worlds of body, mind and spirit. Furthermore, that people and societies can only behave ethically and succeed in their own designs when they are cognisant of, and act in harmony with, those natural laws.

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