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COVER PHOTO: Cape Town, where SVR will be introduced in July 1998. (See story on page 11)	

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Tax 'black-spot' blights Europe: but land is the carrot for investors

THE FUTURE of Europe as a super-state is back on the political agenda. A vociferous group of opponents has emerged in the ranks of Britain's Conservative Party. This is causing Premier John Major much grief, and the issue promises to be divisive during the forthcoming general election.

Nowhere in the political debate is there substantive discussion about tax policy as it affects employees. Opponents of the European Union chant about the need to preserve national sovereignty, but they have not engaged the public in discussion on the character of taxation. Yet this is the one subject that promises to bind the member states closer together in the years to come and erode the freedom of national governments.

Italy's commissioner, Mario Monti, recommends the harmonisation of tax rates, and especially taxes on people's savings. He believes that "too many tax cuts have been made by member states in recent years to attract investment and savings from citizens of other member states".

How dare governments cut taxes on people's savings!

The Brussels bureaucracy now believes that the tax burden has been shifted from capital to labour, which is why (they say) "the Single Market isn't working because of this taxation black-spot".

This analysis is superficial. While governments do tinker with taxation on corporate capital, the real giveaway incentive has been the rental income of land. Governments fall over themselves to offer inducements such as the free or cheap acquisition of land, and 'tax-breaks' which are ultimately capitalised into higher land prices. That economic

effect is now acknowledged even by the World Bank (see page 3).

But it is fatuous of European Union commissioners to complain about the cut-throat incentives offered by the governments of member nations. For the EU itself offers billions of pounds in incentives to multi-national corporations. These move into an area when attracted by super-high profits (meaning: they pocket some of the rent that would otherwise have been paid to start up their businesses) ... they squeeze the cash grants for all that they are worth ... and then they move on.

That's the experience of workers in the French village of Villers-la-Montagne, who have just discovered that electronics giant JVC has eliminated them. Their employer is moving their jobs to Scotland!

Far Eastern companies are attracted to Europe by huge financial incentives. Free trade is good - but what about fair play? That's not the name of the game as far as employees are concerned. Governments and the multi-nationals interfere with people's lives without creating a level playing field on which everybody can participate on an equal basis - including employees.

Economists agree that the primary reason why that field is not level is the tax system, which distorts the allocation of resources in the production process. They also agree that the one system of public finance that would remove the distortions requires the socialisation of the rent of land and natural resources, and the privatisation of people's wages and savings. When Brussels proposes that policy it will have captured the moral high ground: that's when it can preach to the governments of member states.