

LAND&LIBERTY

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message from the honorary president

The Henry George Foundation of Great Britain exists in order to promote economic justice along the lines suggested by Henry George. George's works embody both wisdom of the highest order and practical proposals with regard to the socioeconomic arrangements nations might adopt in order to secure the peace, prosperity and happiness of all their citizens.

George's public revenue proposals stem from his recognition of how the growth of population, trade, specialisation and technological development leads, not only to an increase in the production of wealth per capita but to a shift in its distribution. In a simple economy, with little specialisation or trade, most wealth consists of the earnings of those who provide the labour and capital employed. However, in a developed economy, with much specialisation and trade an ever larger fraction of the wealth produced is paid or imputed as rent because people compete for occupancy of the best locations. Since this increase in land value is created by the presence, protections and services provided by the whole community George recognised it as a natural source of public revenue - which grows as the need for public expenditure grows. Sadly, governments throughout the world fail to provide the protections and services their people need, while actually adding to them, because they ignore this undisputed phenomenon.

There are however those who, seeing merit in taxing land value, champion compromise measures that might lead to LVT in time. A current proposal, written by the same team who advocated LVT in their *Commercial Landowner Levy is Fairer Share - The Proportional Property Tax*. This seeks to replace Council Tax and Stamp Duty Land Tax with a fixed rate tax based, not on land value, but the selling price of residential property. If implemented it would substantially reduce the tax paid by the vast majority of households throughout England and increase that of some in London and the South East of England. It would overcome a major fault in Council Tax that requires households living in cheaper areas of the country to pay a much higher proportion of their home's value than those who live where property is more expensive. The proposed rate of 0.48% is set to collect the present nationwide amount and then redistribute it, begging questions regarding local accountability and control.

Council Tax currently represents only around 5% of all taxes UK residents currently pay so the effect any changes to it might have on households throughout the country is bound to be small compared with the effects that would follow a radical reform of taxes people pay based on their employment and purchases. Every economist knows how income tax, National Insurance charges and VAT etc. increase everyone's living costs, and reduce the earnings and job opportunities of every working person and the viability of every firm. However there is less appreciation of how more damaging their impact is in marginal areas of the country where land values, and thus house prices, are low compared with where they are high.

By questioning the basis of Council Tax and showing the benefits of proportionality the Fairer Share proposal may be welcomed, but by dodging the scale of the issue and the principles that underpin a just system for raising public revenue it may not be. If politics is about the art of the possible, striking the right balance between the *best* and the *good* is the dilemma we face as we consider if we should support such a proposal. This challenge is likely to feature during our upcoming open day event on 19 September 2020 and reviewed in the next edition of Land&Liberty.

David Triggs
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