

## BOOK REVIEW

### REFORM LONG OVERDUE

*A Philosophy for a Fair Society*

Michael Hudson, G.J. Miller and  
Kris Feder

London: Shephard-Walwyn, £9.95

AT A TIME when even politicians admit that society is in crisis this book examines the growth of welfare capitalism and explains why it is now crippled. The authors suggest a new policy that would guarantee property rights based on a philosophy that would bring prosperity for all.

Dr. Michael Hudson, one-time adviser to US, Canadian and Mexican government agencies, takes a 4000-year perspective to show how the social impact of debt and privatization of the land brought about poverty as families were deprived of the ability to earn their bread. He puts it like this: "The fiscal knot has been tightened around the necks of citizens in the kind of spiral that systems analysts call positive feedback. War gives rise to debt, thus to an inability of the private sector to support the public sector. Increased taxation or public debt results in more borrowing to pay the interest on public debts while the creation of a warlord aristocracy results in the privatization of the commons, leading to landlessness and the loss of the means of self-support for a growing proportion of the population".

Hudson warns of the debt overhead and the natural resource monopoly which threaten our economic system, as they did Babylonian public enterprise 2000 years before the collapse of the Roman Empire. But he provides an answer: what links ancient civilizations with our own are the phenomena of land monopolization, debt and tax avoidance by landholders which undermine social solvency for private profit. So deep is our present economic quandary that the modern world needs more than a fresh start: it needs a philosophy for a fair society.

Dr. Hudson calls for a reconstruc-

tion of political economy, pointing out that neo-classical economists at the turn of the 20th century blurred the distinctions between land and capital, and between the private and public sectors. This fatally compromised the analysis of economic problems. Today's economists no longer acknowledge land-rent's role as a natural source of taxation.

DR. GEORGE Miller, drawing on his research at the Wolfson Institute of Preventive Medicine, at London's St. Bartholomew's Hospital, shows that not only have the lower social classes grown relatively poorer in Britain but their health has suffered to a greater extent than those in higher income brackets.

Tracing the history of the welfare state from its beginnings in the time of Gladstone to the present day, Miller shows how the gap between the health of the rich and the poor has been getting successively wider. A complex system of taxation of wages and profits cannot support an expanding social programme aimed at redistributing wealth to improve the lot of those that capitalism has left deprived. Partly in cash benefits, partly in health care, education or housing, there are still wide inequalities between the affluent and the poor; a similar situation exists in the USA and other countries. How can it be, asks Dr. Miller, that massive increases in public expenditures have failed completely to close the gap between rich and poor?

The data provided is consistent, believable and shocking. The reader is taken back through modern history to the evolution of health care in Britain, the popular Malthus theory that changed the Poor Law and swept the destitute into workhouses, the pressure from figures such as Charles Kingsley and Michael Faraday that led to reforms in slum clearance, the treatment of infectious diseases and sanitation.

But it was not until about 1880 that ideas began to emerge, largely by advocates of the philosophy of Henry George, that rent should be collected for central revenue. At that time a tax on the annual site value of all land could have covered the whole of state expenditure, leaving a surplus as a fund for social improvement. All taxes might therefore have been replaced

by a "single tax".

Unluckily, Britain did not go down that path, and the outbreak of war in 1914 disrupted progress towards any tax on land. Instead, as Miller describes so well, governments thereafter voted in ever-larger increases in income tax, and welfare capitalism was born. Britain's complex system of taxation on wages and interest is still failing to redistribute wealth from the richer to the poorer sectors of society.

But this book takes the debate a stage further; if taxes on wages and interest have failed for a century, the second option remains open. We should look again at proposals of those who seek to reap the site value of land to ensure equity in the distribution of the nation's wealth for the public good.

FINALLY, Dr. Kris Feder, who teaches public finance at a US college, clarifies just how the Single Tax could lead to a fair distribution of wealth and could also simply our tax system. She writes: "The greater the revenue raised from a tax on land rent, the smaller the revenues required from inefficient taxes on production and exchange". This would lead to the virtuous circle.

Using liberal quotations from the works of Henry George and other economists in sympathy with his ideas, Dr. Feder challenges the critics who through ignorance and prejudice have denied the equity of the Georgist paradigm. By logical argument and clear evidence she dispels misrepresentations. It is encouraging to read that a rich and varied Georgist research programme is even now underway. It includes virtually every sub-discipline dealing with the urban economy, money and credit, savings, capital formation and growth. Even the grand issues of justice and political stability are tackled.

Readers will be left in no doubt that if a Georgist philosophy were ultimately to be accepted worldwide, it could provide a principle for peaceful resolution of territorial conflict for every country, reducing military requirements and bringing peace and prosperity in its wake. This book is essential reading for all legislators and government bureaucrats. It is also a book for every voter who knows that tax reform is long overdue.

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