

HARNESSING LAND VALUE AS A GREEN TAX

By Molly Scott Cato

The sense of vertigo you experience when trying to understand how financial alchemists have created so much meaningless monetary value out of thin air is an indication of the dislocation that financialisation has brought to the world economy. One reason why the regulators did not do their job was that the process of debt creation was alienating: it was technical and abstract and human minds are repelled by such stuff.

Ever since value slipped its attachment to the natural world — around the time the technique of fractional reserve banking was invented in the 17th century — money has become increasingly important and the planet and its resources less so. The early economic theorists - who called themselves Physiocrats - stated in their name their view that the land was the source of all value. But they were defeated by the mercantilists and then by classical economists, who argued that trade was what really mattered: it was trade that enabled the accumulation of money. Since that time economists have not been able to distinguish between money, wealth and value.

To find solutions to the financial crisis, as well as the environmental crisis, we need to get our feet back on the ground.

Whose Land is it Anyway?

From the perspective of a green economist, land is the primary source of all value; the nature of its allocation is therefore an issue of great political salience. This raises critical questions concerning the legal origin of a right to own land. In indigenous societies it would be considered blasphemous to make such a claim and even the notoriously legalistic Roman Empire had a law of usufruct that established the right of local people to make use of land if the landowner was not doing so. How many farmers who live from grants and subsidies would be able to justify their right to continued use of their land under such a legal stricture?

Behind these laws and customs lies the fundamental understanding within human communities of the inevitability of land as a common resource — how could something so fundamental to survival pass in perpetuity into the hands of a minority? The history of the alienation of peasants from their land during the Enclosures in England is well known although, unlike the Highland Clearances, it is not burnished with the same continuing sense of injustice. It should be. Because the lowland clearances that removed subsistence farmers from

their livelihood opened the way for over-exploitation and species holocaust. Neeson (1989) even argues that the disruption of this ancient way of life led to the population explosion that caused such distress to Malthus and the economists who followed his path.

It is interesting that this year's Swedish Bank Prize (in spite of attempts by the economics profession to delude us to the contrary it is not a Nobel Prize) was given to a woman who is not an economist and has spent her life studying systems of allocation by commons. Elinor Ostrom's citation—'for her analysis of economic governance, especially the commons'—might be a hint that even in the higher realms of what Hazel Henderson called the snake-oil priesthood there are uneasy feelings that the private-property free-for-all may have gone a little too far.

The horrifying levels of inequality that have resulted from 30 years of neoliberalism have pushed the issue of redistribution up the political agenda. But the failure of the redistributive measures, despite their vast expense, to solve the problem of persistent poverty makes clear the inefficiency of solutions that rely on redistribution rather than the predistribution that green economists have long been arguing for. Land redistribution is one such means of predistribution, but introducing a tax on those who currently own land so that the value they derive from it could be fairly shared is another. From a radical perspective, land is a common source of wealth for the inhabitants of a nation, and should therefore be shared fairly between them. Taxing owners of land and distributing the receipts to those who do not own would be a crucial aspect of predistribution.

Land in a Sustainable Economy

These are not new arguments but what gives them added salience is the limit and pressure for change exerted by climate change. No longer can we rely on the production of food and its transport across the globe to feed our families. Climate change brings irregular harvests and rising food prices; it limits the amount of carbon we can waste in pointless food swaps; and it undermines the security of the infrastructure that a global food market relies on. No wonder that food security is the political issue of the moment.

As food becomes scarcer and more expensive the exclusive ownership of land becomes an increasingly indefensible privilege. Unless we find a way of treating the world's productive land as a common good the 21st century is going to degenerate into an era of food and other resource wars. This is why the virtual money that was created in the casino economy during the bubble was invested in land before it burst. The buying up of huge tracts of land in the poorer countries of the world that has become known as 'the great land grab' illustrates

how, although the money was created by a computer, its power in the world is real.

Green economists argue for an economy that is just and sustainable, but such a world is not attainable without a reallocation, occupation or requisitioning of land. At the policy level we might suggest the immediate introduction of a Land Value Tax, which would require those currently in ownership of land to pay for this privilege. The value of land ownership could then be shared between the people of each nation or region—a policy response to Gerard Winstanley's definition of land as 'a common treasury'. Far from Hardin's empirically ungrounded critique of commons (1968), Neeson's account demonstrates how the best means of protecting a resource is to reconnect use-rights with shared ownership rights, backed up by a system of local social control. Being dependent on a resource emerges as a better protection than legalistic property rights.

It is money that has got us into this mess. The abstract nature of money has facilitated our dislocation and disembedding from the planet so that we can get more excited about an iPad than a squirrel or our own best friend. And it is the growth logic that is inherent in the way money is created under capitalism that is driving the planet to destruction.

So three steps to Green heaven? First, replace money with land as the source of true value. Second, challenge the right of those currently in ownership to enjoy that privilege when it is so socially and environmentally destructive. And third, argue with renewed vigour for the immediate introduction of the taxation of land value as the central source of national revenue.

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References

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