

Henry George and the Welfare State

by T. A. ENDE

A FULL house of presumably convinced Georgists was present when I attended an address by Mr. Victor H. Blundell on Henry George last August at the Henry George School of London. During the question time afterwards it seemed to be generally accepted that the concept of the single tax on land as the sole means of raising all national and local revenue was no longer viable, and it seems to me that because of this belief the Georgists have been for years crying down the welfare state.

Britain has always had a welfare state. In the historic past the church held lands from the crown on the condition that it care for the welfare of the sick, the infirm, the aged and the poor. After the confiscation of the church lands at the Reformation a "poor rate" was levied on the property of private citizens to carry on this work.

Henry George sought to divide government into two parts: first, political government, and secondly, social government. He wanted to reduce political government to the absolute minimum, but to extend social government. Some of the things he wanted to have dealt with by social government, national and local, were mail, telephones, savings banks, utilities, schools, railways, public halls, theaters and playgrounds, also pensions for the weak, for widows and for the helpless and aged.

Without disapproving of them, Henry George said that soup kitchens would be unnecessary in the world he thought mankind would create, and I do not think he would have approved of family allowances for able-bodied people. He mentioned public health as being a function of government, but did not, as far as I know, enlarge upon it.

It has been suggested to me that

many undertakings which George named as being beyond the power of the individual to do for himself, and which should therefore be done by the state under the heading of social government, could be better done by private enterprise to introduce an element of competition. But such things as the building of trunk roads, railways, irrigation and drainage schemes, waterworks, canals, gas production, electricity production, harbor works, telephones, telegraph and to some extent airfields, can only be done by private companies under a special act which takes at least two years to get through Parliament and always eliminates competition because it must of necessity give a monopoly.

I now pose the question whether the single tax would be sufficient to maintain the welfare state as we know it today. Although undoubtedly Henry George visualized our present situation, and knew that national and local spending would reach the proportions it has reached, he said yes.

This brings me to the equation he gives in Book III, Chapter II, (page 171) of *Progress and Poverty* — "Produce (wealth) = rent + wages + interest." We have to face the fact that this equation showed things under primitive conditions where no tax was taken account of — but actually when we come to consider conditions in the United Kingdom as we find them today, the equation comes to be stated as, Produce (wealth) = rent and taxes + wages and taxes + interest and taxes.

In property rating* and taxation we assess both the land and the building and other improvements for rating and taxation, so that a certain amount of taxation, local and national, is derived

*Rating is the term used in England for local taxation.

from land values, but it is conditional upon "beneficial occupation." Certain properties, such as owner-occupied dwelling houses — both the sites and the buildings — are exempted from taxation.

If we assume that the total in taxation which we are raising in the United Kingdom is of the order of £11,000 million, this sum must be included in the equation given above, because all taxation must be drawn from the sources given. Even such things as sales tax and purchase tax are taxes on wages and interest. In my contention it must follow from the equation and the economic principles laid down by Henry George, that this enormous sum of £11,000 million represents the potential annual value of the land.

Having regard to the incidence of taxation on wages or income and interest, all that could be raised by taxation of land to its full annual value would be about £3,000 million, but this would allow some taxation to be removed from income and interest, and the equation would show up as, $\text{Produce} = \text{tax only} + \text{wages and taxes} + \text{interest and taxes}$.

The exchange value of land would thus be extinguished completely and nothing more than a nominal sum would be paid for a freehold in land. However, once again following the economic principles laid down by Henry George, rent would soon be issuing from land in addition to the tax, and freehold land would again acquire an increasing exchange value.

This could be corrected by quinquennial re-assessments of land values and an increase each time would be made in land-value taxation and a corresponding amount would have to be taken away from income and interest,

These remarks were made in an address to The Morpeth Club, Westminster, a social extension of the Henry George movement. Mr. Ende is an owner of property in five counties, and when he first heard a Henry George lecture in 1952 he objected that property rights were being attacked. On re-examination however he revised his views. The Morpeth Club invites interested visitors to meet with them when in London, and to make their presence known to the secretary, Miss Julia Bastian, 34 Dorset Square, N. W. 1, London.

until the final solution of the single tax on land would be reached and the equation would read, $\text{Produce} = \text{tax} + \text{wages} + \text{interest}$.

This simply means that all taxation would be derived from land values and there would be no income tax and no tax on interest and capital. Obviously income tax is a tax on labor, and as labor creates and maintains capital, any tax on interest is a tax on labor. The proper source of taxation is land values because these are said to be publicly created, and to return these values to the public in the form of public services is clearly an anti-inflationary measure — and it is the only anti-inflationary tax there is.

Whether you like it or not, if the taxation of land values is introduced in the United Kingdom, you will get the state of affairs set out in the last equation, and if you don't want this, you should get out of the Henry George movement. The process would, however, take 30 or 40 years.

The ultimate result of the taxation of land values would be that the government would find itself with an enormous sum of money to spend, and this could only be utilized to maintain the welfare state, for which Henry George intended it should be used.

From September 8 to 14, 1968, there will be an international conference at Caswell Bay, an enchanting resort near Swansea, Wales. Every few years members of the International Union for Land Value Taxation and Free Trade and the Henry George School meet for renewal and exchange.