

## Georgism: a reality check

The International Union for Land Value Taxation is about to enter a new and more active phase of its existence. In this paper prepared for his fellow trustees, **Fred Harrison** argues that the time has come to review and learn the lessons of a history of failure, and to chart a new course.

What's your reaction to my claim that an intellectual screening process exists that monitors and sanitizes talk involving georgist fiscal reform? If I said the screening is like the virus checker on your computer, would you recoil in disbelief?

How, otherwise, do we explain the fact that, since 1914, the world has passed georgism by? It is as if Henry George never existed, as if land taxation was not enshrined in law in the UK in 1910 or adopted by Denmark, Australia, New Zealand and South Africa.

The time has come to pose tough questions. Could the surreal history that banished georgism have been otherwise? Could georgists have made a difference? What should be done now? This review is a contribution to the International Union's deliberations on how best to promote georgism on the global scale.

My experiences have led me to some potentially unpopular conclusions. In 1968 I embarked on a systematic study of history that continues to this day. I burrowed deep into anthropology while straining at the political coalface for most of this time, including 10 years of continuous campaigning in Russia. In 2002, I stepped back and began to reflect on this accumulated knowledge and experience.

My conclusion is that our society is programmed to eviscerate any direct charge on the value of land. Georgists are on to

a hiding for nothing unless we adopt new strategies that can smash the intellectual screening process that separates us from the collective consciousness of the majority.

Henry George ducked under the screen. How did he do it? Between 1879 and 1914 Europe was undergoing profound economic and political change. Civil discontent was expressed in the vocal demands for an extension of the franchise. And the British colonies had the practical problem of funding infrastructure. *Progress and Poverty* came at the right time. Its arguments resonated with the mass of people. Alas, in the US, the project barely got off the ground (a few Single Tax colonies put the virus in quarantine).

Since 1918, it has been downhill all the way. In Britain, landowners used the law courts to thwart the Finance Act 1910. In the Commonwealth countries, the wisdom of using land rents was systematically demoted.

Outcome: according to the OECD, between 1965 and 2003 the share of taxes on property and wealth was reduced from 8% to 6% of total tax revenue (*see also front page news item - ed*). Governments legitimised the privileges of land by arguing that taxes should be levied on a broad base. Georgist advocacy of a narrow tax base flew in the face of conventional wisdom, one reason why georgist policy is disparaged as unrealistic; and why presentations of our case are

received, by and large, with incomprehension.

Put bluntly, 'they' just don't know what we are talking about, and they couldn't care less.

The screening process reached every corner of the world. Some random examples -

*In the 21<sup>st</sup> century* (2004), South Africa's local authorities abandoned the land tax in response to advice from Western agencies.

*In the 20<sup>th</sup> century* (1961), Brazil's State of São Paulo enacted a rural land tax to encourage owners to bring their idle acres into cultivation. The Federal Congress intervened with a constitutional amendment. Jurisdiction over rural property taxes was transferred to municipalities. The law was not implemented: local governments could be relied upon to avoid land taxation.

*In the 19<sup>th</sup> century* (1824), Argentina introduced a land policy to settle vast territories, requiring the users to pay rent to the State. The land grants turned a few people into barons - and they refused to pay more than paltry sums into the public purse.

Society is hostage to a philosophy - buttressed by institutions tailored to guard it - that is driving the world to social and ecological crises of epic proportions, and georgists have contributed little to the understanding of how this has happened. Past strategies failed. We need to chart a new course.

If history is to be reversed, we need a

realistic appreciation of both the scale of the problem and the timescales for effective action.

The starting point is the realisation that the Western mind has been locked into a set of values and beliefs that is designed to exclude the acceptance of land rents as the community's income. This is the result of the social contract school of philosophy beginning with John Locke and consolidated by the Enlightenment thinkers who are celebrated as the founders of reason-based civilisation.

The legacy is a collective amnesia about the traditional values and practices that shaped property rights into their private and common spheres. One awesome challenge is to indict the forces that abuse our collective consciousness. But time is short. We face

- *Migration*: as the industrial epicentre shifts to China, jobs are becoming scarce and in-migration is brewing a lethal cocktail of urban discontent.
- *Fiscal exhaustion*: taxes take up to 50% of GDP, yet governments are still short of funds.

The crisis of the environment is symptomatic of the poverty of conventional philosophy. Global warming is near to being irreversible. And yet the ecology movement is exhausted. Signs of this include the new book by Jonathan Porritt, who chairs the UK government's advisory committee on sustainability. "Capitalism," he now says, is "the only game in town." If he's right, there is no hope for the environment, because the present brand of capitalism is rigged to deliver ecological chaos.

Environmental campaigners generally accept the property rights that underpin pollution-curb trading permits, which turn corporations into free riders.

The world desperately needed the georgist paradigm, but the georgist movement failed to rise to the challenge. We could have done much more, if only to prepare for the day when events would force open people's minds.

What must we do? A fatal blow has to be struck at the intellectual superstructure that has our collective consciousness in its grip. None of the strategies that we have used until now had the remotest chance of delivering that blow.

Strategies that have not worked need to be honestly evaluated. Since 1945, the only new case of land taxation that is worth citing is Taiwan; and that was not the product of enlightened wisdom, but the act of desperation by nationalists who fled the Communists.

*Publications*: In the past 30 years, I contributed more than any other person to the writing, editing and publishing of georgist materials. In terms of volume, especially in books, these three decades were the peak of production. But our approach was never

going to persuade people of influence to change their minds. I made the mistake of assuming that we could negotiate change on the basis of reasoned argument.

*Lobbying*: Throughout the world, activists engaged politicians, policy advisors, academics and journalists to explain the wisdom of the georgist paradigm. This effort did not bring us one step closer to reducing taxes on people's wages, savings and investments. Politicians were unwilling to incur the risks of departing from the script into which their minds were schooled.

*Local Taxation*: Nowhere has the *local* approach to fiscal reform delivered a result that remotely resembles the project described in *Progress and Poverty*. Opponents, such as the Tories who fought the land tax legislation in Britain in 1910 and 1931, declared that one of their tools for resistance was to downgrade property taxation to the municipal level. What ought to be the best empirical evidence - from New Zealand, Australia and South Africa - is now a gift for those who oppose us. They use the historical record to demonstrate that land taxation is a trivial instrument in the fiscal toolbox.

That's why the British Property Federation opposes a national land tax, which it claims would "slow down development". If there must be a charge, they prefer a locally administered occasional tariff linked to the planning system (*Financial Times*, 3<sup>rd</sup> December 2005). Landowners do not want a general reform that reduces taxes on wages and savings.

### Russia: why did we fail?

Between 1992 and 2002 we secured the general support of Russians in the street (cf. public responses to our radio phone-in shows); extensive invitations to publish articles in the print media; close collaboration with the pro-LVT Russian Academy of Sciences; and regular seminars and congresses co-organised with the federal Duma (Parliament). All to no avail: Western pressure to privatise land and natural resources and adopt the conventional property tax was irresistible. Vladimir Putin persistently and publicly advocated resource rents as public revenue, but his government - active exponent of the 'Washington Consensus' doctrine - ignored the President.

What's to be done? Lobbying agencies at the global, national and local levels has not worked.

Fact: in 1976, UN-Habitat endorsed LVT. In the last 30 years it did not do anything to promote the policy. Until a couple of years ago, its staff did not even know the policy existed, let alone understand how it would solve the global housing problem.

That's why I believe that new approaches are needed to shatter the screen that closes people's minds. We must take four essential steps.

*First*, relocate the georgist paradigm in a language that resonates with people's needs and sympathies. This part of the new project has already begun.

Material must be disseminated widely. The internet is a powerful tool for us, but beware: do not confuse the medium with the message. There are no short cuts to rescuing the minds of the masses.

*Second*, offer a vision of the future. We have failed to offer a compelling prospectus that would encourage people to put at risk the comfort they feel with the devil they know. georgism would deliver an economy of abundance, culturally, materially and ecologically. That claim would attract supporters, if we can prove it.

*Third*, analyse how we get from here to there. People not only fear change. They also fear being out of step with the mainstream - that's one lesson that we learnt in Russia (*see box*).

*Fourth*, people need to understand why, en masse, they think and behave in ways that subvert their best interests. Such cathartic experiences preceded all the great acts of social reform in the past. So to move into the future, we must set new priorities for action based on

- research into global problems, conducted to scientific standards, written with lay readers in mind;
- reflection, to plumb new depths of understanding of how 'capitalism' really works - and how it might be evolved to become part of the solution; and
- redefining georgism in language that persuades social scientists and civic leaders to try harder for the common good.

The IU is not itself a charity. Intellectually speaking, it is free to develop the capacity to demolish the escapist ideas and institutions that underpinned the 20<sup>th</sup> century's substitutes for georgism.

To achieve this, however, and to give the tax reform agenda a new lease of life, we have to constantly remind ourselves of one harsh fact. As georgists, we allowed ourselves to be co-opted into tinkering at the edges of current ideas and institutions. That doomed our efforts. If we continue along that course, we will not be able to forestall the hazards that will wreak havoc with the lives of many millions of people in the 21<sup>st</sup> century. **L&L**