

# Henry George News

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## The Missing Clause in the Bill of Rights: Land for the People

Part II by George Collins

The meaning of the Georgist remedy for the society at large — and how to effectively communicate that meaning — was explored by a number of European participants.

*The 21st International Conference of the International Union for Land Value Taxation and Free Trade in Roskilde, Denmark, July 22-29, 1995*

Bent Staarup of Denmark delivered a thought-provoking paper entitled "The Missing Clause in the UN Declaration of Human Rights and Profit Sharing of the Resources of Nature Instead of Social Subsidies and Taxes." He argued for paying a "land rent bonus" to every mother and the unborn child she is carrying. Such a bonus would materially equalize the condition of women with men who never suffer the disadvantage of pregnancy. The payment to the unborn child would establish equal distribution of rent "from the conception to the grave." Mr. Staarup promotes the procedure of imposing the "user fee" on land values at a rate high enough to keep the values low, discouraging speculation but still exhibiting a price so that "transfers of land take place freely and without public interference." He says that, despite the solemn proclamations of the UN, "without equal rights to our most elementary physical promise, the riches of land and nature, we shall never become free and equal." But Mr. Staarup argued that "landowners have to receive compensation for their capital loss." His suggestion of "government bonds... paying off over thirty years" did not meet with much favor from this audience.

Echoing Mr. Staarup's call for a land rent bonus, Ole Lefman, head of the Danish Henry George Society, offered an alluring proposal in his paper, "Scrap the Old Tax — Why and How." People must work to pay for food, housing, clothing, etc., he said, but it is a crime to demand that they must work to pay other people for access to the gifts of nature. He adds, "If the total of rentals exceed public expenses, share the excess amount equally between all citizens in the community." Employing what he called a "switchover percentage" of the market price of land for the collection of rent, he postulates

the gradual elimination of the income tax. He registers a doubt that the market price of land will decline. As the revenue from land is repaid to citizens as a bonus, he said, it tends to increase the demand for sites which will increase the market prices and rentals of sites. "Nobody today can



*Fernando Scornik Gerstein*

tell if the net effect will be decrease or increase of the market prices and site rentals." Mr. Lefman stoutly rejects compensation of landlords for loss of market value because such payments would be made by other taxpayers. The Citizens' Bonus is the effective means to blunt opposition to the public collection of land rent. It gives everyone a special interest in its adoption and continuance. But one exception would be permitted. "Citizens aged 62 or more who exclusively or mainly live on low income must have the possibility to choose whether they want to join or stay outside the change from "Income Tax" to "Site Rental as Public Revenue." (continued on page six)

(continued from front page) But if they take that option, they would also forfeit the Citizens' Bonus. Land value taxation in Denmark failed, said Mr. Lefman, because it was not linked to reduction of the income tax. To sell it, people must be convinced that taxes on labor will continually be reduced.

Fernando Scornik Gerstein of Argentina brought the international perspective of an attorney who practices in Spain and Britain as well as his home country to his examination of "The Issue of the Poll Tax in the United Kingdom and its Economical, Political and Philosophical Implications." The property tax — rates, as it is called — is paid by eight million rate payers. The poll tax was paid by 28 million taxpayers. Could the proponents of the Poll Tax have imagined that the effects of such a shift on labor could have gone unnoticed? But some opponents of the poll tax "preferred to consider the matter from the point of view of ability-to-pay..." and recommended a local income tax. Those who based the criteria for the property tax on "payment for the use of public services" faced the challenge that it is difficult to measure the levels of services used and of social benefits received. But the truly important question is: "Which should be the subject of taxation: the landowners, the capitalists and entrepreneurs, or the workers?"

Rent cannot be transferred to retail prices; it represents a surplus, whether or not some of it is taken in taxes. But the rates, like our real property taxes, are applied to improvements upon the land as well, and the term "rent" is often used without distinction to identify the return to capital. The individual entrepreneur can be forgiven for this. But although modern economists "do not read Marx and ignore the existence of George, they must at least have studied Smith and Ricardo and do know better." The consequence of the adoption of the poll tax is that in the long run the market value of land would rise. Rents would remain as high as they were, and there would be general inflation in the economy.

Any alteration in the system of land taxation represents a major change in the manner and aspect of taxation. The land tax should not be viewed as "a mere municipal problem related to 'accountability' or to 'payment for the use of services.' Any radical reform that would confiscate part of the rent for public purposes would mean the structural reform of capitalist society, and ought to be tackled in that way. "The whole system of credit in modern capitalist society is based at the very bottom on real estate... at the heart of real estate values are the values of the sites... banks and credit institutions are hence natural allies of land privilege in all its forms and aspects."

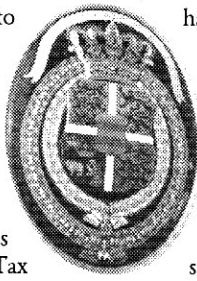
Private appropriation of rent has been established as a "fact of nature" by both academics and the popular media. Mr. Gerstein quotes Henry George from *A Perplexed Philosopher*, concurring with him that "those who... are credited with superior knowledge of social and economic laws have devoted their powers, not to showing where injustice lies but to hiding it: not to clearing economic thought but to confusing it."

Gerstein espoused the view that Karl Marx's "deep and many times accurate analysis of capitalist society presented the major challenge to private appropriation of rent in the 20th century. But it was based on a philosophical conception that resulted in the imposition of a system "designed by bureaucrats for the benefit of bureaucrats." It had pretensions of creating a "new man" by suppressing basic human instincts. The Hegelian dialectic of thesis, antithesis, synthesis was a narrow construct in which to explain all economic and historical events.

Marx understood the effect of private appropriation of rent in capitalist economy — but he went no further than Ricardo's consideration of agrarian rent. It was left to George to present "the precise study of land rent as a general category in society... endowing political economy with the clarity and precise definitions of concepts that were not there before him."

George was not a trained philosopher, said Gerstein, but he had the invaluable gift of that kind of intelligent common sense that helps to assess the validity of philosophical ideas. He believed the law of progress to be the moral law. Identifying these laws in social and economic life to produce a moral order was the function of reason. He was the reverse of Marx,

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promoting "ideas over revolutions as the path to social reform." Gerstein lightly questions whether George may have trusted too much "the sole power of ideas" in a world in which it must contend with physical force. However, he said, history has endowed George's ideas with new vigor and vitality.

It was curious, he found, that although George devoted many pages to the effects of urban rent and land speculation in cities, he is generally considered an agrarian reformer. What he proposed had nothing whatever to do with the agrarian reforms of the 20th century. More basic than either agrarian reform or tax reform, George's measures were meant to change the entire structure of capitalist society. Rejection by the establishment notwithstanding, land is not neutral in the productive process. Alteration in the distribution of rent will change the very foundation of the capitalist economy while retaining "the grandeur of its achievements."

Effective opposition to the poll tax — one that would lessen the impact of the VAT — would have been to update the property tax by excluding improvements and taxing the capital value of unimproved land. The British Labor Party, focused on winning the next election, failed to do that. "For the popular forces there are many ways of gaining political power but there is only one way to keep it firmly in democracies: to conceive, advocate and achieve structural reforms capable of bringing economic justice to those who live from their daily effort, which are always the overwhelming majority in society."

Victor Ledenyov, a correspondence student from Ukraine, had a set of practical suggestions for achieving the "Transition to a Market Economy." All economic transactions are voluntary, he said. They are obstructed by coercive interventions, by government and by private racketeers. In Eastern Europe an extensive criminal class was created by government restrictions, under which normal individual pursuits were branded illegal. The transition therefore involves "reducing interventions both of governments and criminals (protection rackets are a major problem)" and legitimizing voluntary production and exchange.

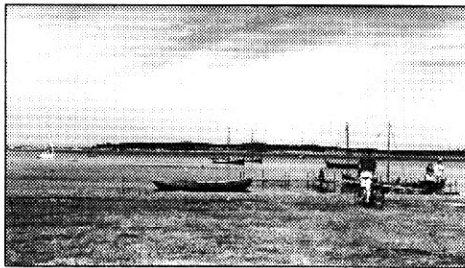
The steps to be taken should also include establishing a land cadastre and assessing all land, including mines and fisheries. Ground rent should be collected, along with pollution fees. Taxes on productive enterprises should be eliminated by a constitutional ban.

There is, said Anthony Trowbridge of South Africa, a symbiotic relationship between town planning, land tenure, ownership, investment and taxation. Town planning today serves the industrial society which, along with zoning, separates home, work, agriculture and all related human activities into separate functions — destroying any true sense of community. Such fragmentation contributes to "inflationary levels of value and cost of land, development, transport, and the provision of services." Using the experience of the informal South African township of Orange Farm, 40 kilometers from Johannesburg, as a case in point, Trowbridge outlined the design of a self-contained community in which he employed reintegrated urban design principles. The process included "a democratic form of direct representation in which residents come together... to plan and create their own economic facilities for their villages." Financing is based on "a community user charge." The annual charge can be expressed as a percentage of the market value of the land only, or a large portion of the rental of each site.

Denmark has had a long history in the use of modern assessing principles to determine the value of land and buildings, reported Jørn Jensen, a Real Estate Assessor and member of the Copenhagen Northern County Land Tax Commissioners. The system began in 1903 and continues "to assess values on the basis of their price in a free market." Land and buildings are, of course, separately assessed. Reassessment was done every fourth year until 1988 when annual reassessments began.

Appeals against the assessment are heard by the Land Tax Commissioners, and beyond them (at the taxpayer's expense) the District Tax Court. When assessments are not sufficiently updated and steep adjustments must be made, there are characteristic calls for the elimination of the separate assessment. Real estate agents, property owners and some newspapers launched a crusade against it in 1990-91, for example.

In answer to the question about whether the year-to-year fluctuations in its value disqualified land as a tax base, Jensen gives an unqualified "No!" Compared to the income tax, he said, there are no disadvantages. "Nobody



can avoid the tax, including ...foreign owners or other [kinds] of 'non income-tax-liable' landowners. The tax is proportional to the value of people's properties, and is therefore a socially fair tax, based on the benefits the owner derives from the location of the land — and the tax is very inexpensive to administer."

Mr. Jensen considers the assessment procedure, which includes walking the district and talking to the citizens, to be extremely easy and straightforward. The cadastral register of long standing, from which the well-known Danish land value maps have been produced, now contains coded data identifying types of land use, making it a complete valuation tool. "Once the first assessment of land values has been made, keeping those values up to date is a relatively easy and cheap exercise." Mr. Jensen observes a coherent relationship between land values and building values. He consistently finds that expensive houses are on expensive plots and vice-versa.

Early on Friday morning, I delivered a report on the high school program administered from the NY-HGS. I recalled for the audience the statement by Geoff Foster at the closing of the last IU Conference in Australia that "Change occurs in two ways. One is the slow, steady continuous effort that leads to change. The other is the sudden, unexpected, dramatic occurrence that opens the way to change. We Georgists must be involved in the former and prepared for the latter." Education, I said, is preparation for change. And that requires correcting the errors of the past. What students have been taught about economics is best described by Henry George as breaking up "into an anarchy of opinion in which nothing is fixed or can be fixed."

That disarray has provided us with an opportunity. Few teachers feel competent to teach economics, but there has grown a greater awareness of the need for better understanding of the subject, and it has been made mandatory in many school systems. In the last thirteen years we have developed a series of teaching materials that highlight the role of land in American and world history, as well as in economics. The material, which includes readings (often from Henry George) and student activities, is designed to allow teachers to inject it into their existing curriculum. Although most teachers are unfamiliar with Henry George, they have ordered the lessons and videos in steadily increasing numbers over the years. Our mailing list is over 4,000, even though non-responders are dropped every year. A quarterly newsletter introduces teachers to current developments, which are keyed to concepts presented in our lessons, and directs teachers to other sources of free classroom materials. Periodically an essay contest is held among students who have had exposure to our lessons. Our latest offering, readily received, is an avowedly Georgist workbook called *Understanding Today's Economy*. Visits to schools where teachers have used the workbook reveal a bonus. Some have expressed interest in learning more about George for themselves.

The reason that there is a "Missing Clause in the Bill of Rights," said Peter Gibb of the Scottish Ogilvie Society, is the denial of people's right to know their own history. Scotland's "beautiful, unspoiled wilderness," promoted to tourists, "is a barren impoverishment of its former self." A trenchant land monopoly, of which few Scots today are aware, have made it into a "wet desert." The history taught to the children of those who were long ago dispossessed of their land and dispersed to Canada, the US and Australia is the history of the British Empire. They know nothing of the Highland Land Clearances that turned wooded glens into sheep ranches, creating "the present-day social, cultural and economic crisis in the highlands"—measures that now place 80% of the land in the hands of less than 1% of the people.

Lost too is the memory and the renown of figures like William Ogilvie (1739-1819) whose forgotten book *Birbright in Land* was in its day more radical than Tom Paine's *Rights of Man*. Finally, though, voices are being raised. "A Socialist Member of Parliament for Western Isle said recently in Parliament that 'Land value taxation is what we need.' But first must come the right of the people of Scotland to know their own history."

Summarizing a work in progress, John Hatherly of England reminded us that George dealt not only with land rent but with the concerns of labor and capital as well in his presentation, "Let's Re-align the Factors of Production." Free trade is also an important subject of Georgist concern.

Hatherly cites England as "still a class-ridden country" in which too few have a chance to develop their talents. Academic snobbery and a disdain of technological ability hampers the educational system. This is a striking contrast to states like the Netherlands and West Germany where government and industry cooperate in providing technical education and the engineer "may become a respected member of the Board of Management."

Prof. Lowell Harriss offered a roster of important industry and interest groups "Who Should Support Our Proposals and Why." Taken from materials prepared by the late Perry Prentice, President of the Robert Schalkenbach Foundation, groups including "homeowners, builders, environmentalists, architects, labor unions..." could be shown to benefit directly from the taxation of land values. He did, however, offer some caution. The benefits are sometimes "undefinable." The shift in the tax rate on land and buildings would vary "to a greater or lesser degree from city to city," and there may be "no stimulus sufficient to bring people to the polls to vote for it. [But] the lack of progress in the United States and most other countries...has been a tragic failure to communicate and persuade" others of "the wisdom that Henry George put forth so eloquently."

The theme of failure resounded earlier that day in Prof. Jack Schwartzman's speech entitled "The Decline and Fall of Georgism: A New Modest Proposal." He gave a thundering denunciation of what he regarded as the "tarnished idealism" of Georgists who have abandoned the enduring grandeur of ethics and education to pursue transitory political winnings.

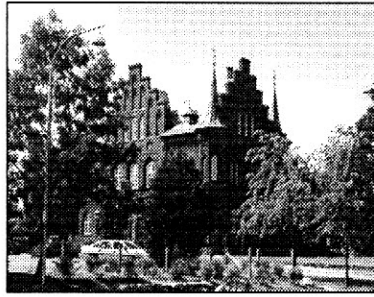
The Danish Henry George movement has, in his view, succumbed to that perfidy. Denmark had an impressive history of land value taxation dating back to 1844, resulting from the enlightened reforms of Count Christian Reventlow (1748 - 1827). When *Progress and Poverty* was translated into Danish, the forward-looking body of smallholders, already aware of the virtue of land value taxation, eagerly embraced George's full reform. It became a central element in the Folk High Schools they established — and Georgism flourished in Denmark.

By 1926 the Justice Party, espousing Georgist principles, won seats in Parliament. And from 1957 to 1960, under the celebrated leadership of Viggo Starcke and with the support of two minor parties, the Justice Party enacted Georgist reforms, the results of which were unmatched before or since. Schwartzman quotes Starcke's recollection of the period. "There was progress in every sphere of economic life. Production rose... more than 30%. Savings, especially in the private sector, increased enormously. Taxes were reduced.... Unemployment [gave] way to full employment...." Thus began a period of hitherto unknown prosperity in Denmark.

But by 1960 it was all over. The party was defeated, losing all its seats in Parliament. A variety of reasons were offered for this amazing loss: attacks of big money and monopoly interests; the death or retirement of Members (to which Starcke attributed it); lack of funds; lack of lobbying efforts; failure to fund media exposure; general voter apathy. Schwartzman rejects them all. "Is it," he asks, "that Danish Georgists, acting with political expediency, forgot to stress what was most important in Danish history, namely, education — in the grand tradition of the celebrated Folk Schools of Denmark?"

He declared his quarrel with "those Georgist politicians who 'artfully' make things happen, and expect them to remain in place forever." Politicians, he said, who may have been 'bought' or 'blackmailed' or 'persuaded' or 'bribed' ...may change their minds, or leave the political arena, or become ill or go to prison. The followers of Henry George should adhere to the precepts of morality, recognize the eternal reign of natural law and learn the truth.... One must possess almost a religious — not fanatic — conviction to be a true Georgist." His new "Modest Proposal"? Be done with "gladiator-like combats in the political arena.... We have been wasting our time with 'external' methods. Let us begin 'internally'. Let us go back to basics. Let us conjoin our remedy once again with ethics and education."

Over those seven days discussion in reaction to the presentations, over philosophy, practice and tactics went on, everywhere. They were eager, probing and sometimes passionate — but always thoroughly Georgist in their constant pursuit of the best ways to a better world.



Jack Schwartzman