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## A Stand Against Housing Woes

Issue 1236 Spring 2016

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LET NO MAN IMAGINE  
THAT HE HAS NO  
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# LAND&LIBERTY

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## letter from the publisher

An important aspect of human nature is that people are better able to meet their own needs, realise their own potential and be happy when they cooperate and serve each other. This manifests most obviously in family life but human history, revolving around the fortunes of people gathered together in trading communities, also illustrates how people need the help and company of others to thrive. Where and when a person lives and earns their living also influences the quality of a person's life and the extent to which their unique combination of attributes and tendencies may manifest and their potentials be realised. This influence includes what nature provides and what the society of which they are a part provides, enables, or prevents. A person's attributes, tendencies and their capacity to realise their potential varies as they pass through the life cycle phases of development, growth, maturity, decline and death. How an individual, society or civilisation manages each of these phases matters since, just as the body of a healthy person is not expected to grow beyond maturity, (and if it does, it usually indicates disease of some sort, for example obesity or cancer), neither should a state, community, or man-made corporation expect to grow indefinitely. Rather, a wise soul might be expected to cultivate the development and refinement of the mental and spiritual aspects of their being whilst maintaining the physical body in its best possible condition. Likewise an enlightened government responsible for the welfare of a nation, might be expected, not to seek perpetual material or economic growth, but to realise how the just distribution of sufficient material wealth is more important than size, and turn its attention to ensuring that the physical, mental, and spiritual health of all its people are well provided for.

Every person and every place is unique - no two people or places are identical. Similarly every place is better suited to some forms of human activity than to other forms and for every form, some places will be better suited than others. The *fundamental measure* of the value that a person attributes to their exclusive possession of a place is the extent to which they are prepared to give of, or exert themselves for it. Such exertion may involve violent conquest but within a monetised society it is more likely to be expressed by offering money that can be readily exchanged for an item of wealth or service. In this way, even though it is impossible to share land itself equitably, land value may be so shared. Whether or not this is done depends upon the relevant socio economic arrangements a community chooses to adopt its domain. A community is most likely to thrive if those arrangements enable every able citizen to access what they need in order to earn their own living and contribute towards the wellbeing of their community. Likewise the opportunity for individuals to develop physically, mentally and spiritually is then improved. In contrast, where a community's social arrangements inhibit such access they are likely to offend their citizen's birthright and the ethical principle not to steal. If they absolutely prevent such access - the offence is murder.

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# letter from the editor

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Current political discussion has a distinct flavour of unreality about it. The debate about whether to stay in the EU or not is devoid of any real content. Either side is trying to appeal to the selfishness of the voter, while the question of justice, the real question, is never raised at all. Strictly speaking, in terms of the land question, it makes little difference whether we stay in the EU or not. The only question left to consider is whether remaining or leaving will do most to mitigate the consequences of the private appropriation of the natural revenue from land, the usurious employment of money, and the commodification of labour. These are the three interconnected causes of poverty and also of the abuse of the environment. They are the three injustices that all liberal democracies are compelled to struggle with in one way or another. Yet, given the general acceptance of these three misappropriations, the only thing that can be done is to try to mitigate their inevitable consequences.

The purpose of government is to ensure that all activity in a society serves the common good, including its economic activity. This purpose is hampered, however, by the prevailing theory that 'the market' runs itself, that it is most efficient and beneficial if left to the play of competition. It is a 'survival of the fittest' concept of economics, where the strongest eliminate the weakest through a kind of natural selection, a theory which Henry George strongly opposed in the social doctrines of Herbert Spenser. In the eighties it was called 'rationalisation' or 'trickle down' theory. If the economy is understood in this way any government that seeks the common good will appear to work in opposition to the self-organising market. Laws and regulations appear as interventions into the natural state of affairs represented by market forces. And so there are calls for less government.

The notion that the state is by nature in conflict with commerce conceals the deeper truth about the three causes of poverty. It is further strengthened by the general notion that the individual and society are also naturally opposed to or in tension with one another. The ideal of human rights also seems to presuppose an inherent conflict between the individual, the government and the economy. Thus society is conceived as permanently in conflict with itself.

This division between the wellbeing of the community as a whole and the economy has its roots in the earliest theories of economics which treat the market as separate from community, and as a morally neutral mechanism, governed solely by the law of supply and demand. In this way the economy is broken off from all human cus-

toms, the seasons and culture, as Fred Harrison observes in his latest book reviewed in this issue of *Land&Liberty*. All natural exchanges between people are driven out by the impersonal exchanges of the market which serves only profit or private gain. The market, thus conceived, is nothing other than a machine driven by endless desires, and therefore with no natural social purpose or moral limits. It is this mechanistic notion of the economy that the classical economists called 'natural law'. The ancient ethical conception of natural law as 'inherent justice' and 'due proportion' is thus replaced with a pseudo-scientific conception of society where all its operations can be reduced to impersonal mechanisms and mathematical formulations.

This means that creation of wealth is no longer governed by what the community needs to sustain itself, but wholly by the desire for profit. Thus commodities are produced solely for a return on them, and no longer because they are valuable or useful in themselves. The farmer is controlled by the supermarket and compelled to farm in ways he knows are harmful to the soil and cruel to animals. The labourer spends his days making things he has no interest in. He is just a part of the great machine, usually working for an anonymous employer. Right at the heart of this reduction of human work to impersonal labour, and the separation of the economy from the community, lies the private appropriation of land and the claim on its rent. It is primarily the misappropriation of this community revenue that creates and maintains the division between the market and government. Rent is an economic expression of the community and the common good, and of natural law in the ancient ethical sense. It is the natural tax. Permitting this collective benefit to be appropriated by private individuals or speculators indicates a blindness to the fundamentally ethical dimension of economics, and the relation of society to nature. The failure to see this fundamental injustice obliges governments to impose moral restraints upon the market in order to mitigate the poverty and many other injustices it causes. This necessarily leads to greater and greater bureaucracy as governments and international law seek to regulate the abuses that this mechanistic conception of the market inevitably invites. And this in turn makes government itself as impersonal as the market.

No economic theory can make people more moral or less selfish. Nevertheless the basic truth that the land, labour, and money are not commodities to be bought and sold for profit shows that there can be a just basis for the economy in a society that is in harmony with nature, the common good, and individual freedom.



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## LVT AND THE HOUSING CRISIS OF A GENERATION

*'There is no finer investment than bricks and mortar'.* But bricks and mortar, whether constituting the walls of a house or standing on their own in a builders' yard, do not appreciate in value. As every homeowner knows, they deteriorate and constantly need repair and maintenance. They are a liability. But if bricks and mortar – and all the other building materials that go to make a house – are not a good investment, how is it that house prices continually rise and are, in fact, a fine investment?

A property has two components – the building itself and the land or site on which it is constructed. The building itself deteriorates over time. Like any other manufactured good, its value cannot exceed the new-build replacement cost and is likely to be less than this depending on its age. Therefore any profit arising from an increase in a property's value (in real terms) must originate from the site or land element; it cannot arise from the building. Indeed, depending on its age, the building itself will have depreciated in value. Anyone who cannot see this or does not accept it need read no further.

### THE HOUSING CRISIS

House prices in the United Kingdom have increased faster than in most other countries. Since 1980 UK house prices have increased by around ten times compared to around four times for the OECD and Euro area. In a capitalist economy the justification for rising prices is that they bring forth increased supply. But in the United Kingdom, despite decades of continuous house price inflation, the number of houses built every year has been steadily falling.

On average, house prices are now almost seven times people's incomes. No matter how hard young people work it is becoming more and more difficult for them to save up and buy a home of their own. Rates of home ownership have been falling for more than a decade, from a peak of 71% of English households in 2003 to 63% in 2013/14. More families are renting from private landlords. It is estimated that there are now more than nine million renters in private rented accommodation, including almost 1.3 million families with children. Renting can be incredibly unstable, with soaring rents, hidden fees and eviction a constant worry. One third of private homes fail to meet the *Decent Homes Standard*.

Many parents now find that their adult children cannot afford to buy a house even though they have successful careers. Such children often live at home well into their 20s and 30s. Better-off parents use their money (including their own household equity) to help their children 'get on the property ladder'. Those with poorer families have no such support. They have to live elsewhere, in all probability where job opportunities are less attractive. This is unfair, socially divisive and damaging to the country's economic well being.

Declining investment in social housing and rising council house rents saw Housing Benefit expenditure triple from £3.8 billion in 1986-87 to £12.2 billion in 1997-98. During the same period claimant numbers fell from 7 million to 5.5 million. Despite further cuts in Housing Benefit entitlement and claimant numbers falling to 4.8 million Housing Benefit has more than doubled since 1997-98 to its present level of £25 billion. Despite a fall in the number of claimants the cost of Housing Benefit has soared. This reflects the vertiginous rise in property prices and rental levels.

Many observers see the housing crisis as being caused by inadequate supply. We need to build more houses, they claim. Other factors, too, are mentioned. People are living longer, which

means that their houses are 'off the market' for longer. Couples now break up more often, leading to more single households. The increasing number of cash buyers – such transactions have doubled since 2005 – reflects the rise of buy-to-let purchasers. Many of these buy-to-let investors are individuals who – at other times – might have seen equities or other stock exchange investments as desirable but now regard investing in residential property as the way to make the most of their money.

### INADEQUATE SUPPLY AS THE MAIN CAUSE

If, as many maintain, the acute housing crisis has come about through the failure to build enough houses, we should expect to find obvious evidence of this in the statistics for population growth and housing construction. But this is not the case. The population of the UK is some 64.8 million. Ten years ago, in 2005, the population was 60.4 million. There are therefore 4.4 million more people in the country than ten years ago. The actual number of new homes constructed in this ten year period, as shown by Government statistics, was approximately 1.85 million. This was equivalent to one new dwelling per 2.4 persons. It does not suggest a serious supply problem. In London, where the housing crisis is at its most acute, the supply argument has some force. Over the last ten years London's population has risen by 1.1 million (from 7.5 million in 2005 to 8.6 million currently). New dwellings completed during this period (all London boroughs) totalled 217,000. This is equivalent to five persons per new dwelling. However, it would be wrong to conclude from this that London is bursting at the seams. Despite the growth in recent years, caused in part by immigration, London's population is still less than it was in 1939.

The supply argument assumes that, as with other manufactured items, houses are elastic in supply; we can solve the housing crisis simply by building more houses. This is, of course, true as far as the building itself is concerned. Building materials and building labour are freely available. But a building cannot be divorced from the land on which it rests. But the land is fixed in supply. As buildings cannot be constructed without land, this attribute of inelasticity of supply attaches not just to the land but to the building as well. For practical purposes, therefore, houses are largely fixed in supply. Bidding higher prices for them can but have one outcome; it must drive up the price. If, as seems likely, the housing crisis is primarily one of price, the imposition of a property tax, which would lower prices considerably and take the steam out of the market, has obvious attractions.

### LVT IN PRACTICE

LVT, as envisaged here, would be purely a residential property tax akin to the old schedule 'A' income tax, under which the taxpayer was assessed on the notional annual rental value of his house. However, under LVT the taxpayer would only be assessed on that part of the house's annual rent which related to the site as distinct from the building.

As the purpose of LVT would not be to raise additional government revenue but to halt the rise in house prices, it would be a feature of these arrangements that an individual's LVT liability would be deductible from his mainstream income tax bill. Ideally, LVT would be set at a level below the income tax liability of the average person gainfully employed. Such a person would therefore be no worse off in cash terms; he would recoup his LVT by deduction from his income tax liability. This right to recover the LVT would be restricted to one's main residence. There would be no right of set off in respect of second or third homes. These would become



expensive to own. LVT would also be payable in respect of empty properties. These would become expensive to hold out of use for a long time. In the black economy income is undisclosed and the individual pays much less tax than he should. Such individuals would not have enough income tax to recoup their LVT. They would end up paying a substantial amount of tax.

As already explained, LVT would be assessed on the annual rental value of land, excluding the building. Residential building land is rarely rented separately so it will not be possible to assess the land's rental value from objective market rental data. The annual rental value will have to be calculated or imputed from residential property rents in the market place. A reliable way of doing this does exist however.



Take as an example a modern three-bedroomed house with garage in a typical, popular location in the South East with good transport links and within commuting distance of London. The property is modern having been built 15 years ago. Then, it cost £150,000. Now, it is valued at £500,000. The property is let, the annual rent being £18,000 (£1,500 a month). The re-building cost for fire insurance purposes is approximately £200,000 based on RICS building cost indices. This rebuilding cost is the maximum value the building (as opposed to the land) could have. In reality, some deduction should be made for depreciation or wear and tear, but for present purposes this is ignored. The building's value

is therefore at most £200,000. The balance of the property's value, i.e., £300,000, is therefore attributable to the site. This site value of £300,000 is equivalent to 60% of the total value of the property. It follows therefore that 60% of the market rent must be attributable to the underlying land. The annual rental value of the land would then be assessed at £10,800, i.e., 60% of £18,000.

### LVT'S EFFECT ON THE HOUSING CRISIS

LVT in its full blown form, i.e., where the whole of the annual land rent was taken in tax, would lead to significantly lower house prices. Just how far residential property prices would fall as a result of LVT is difficult to say. But in the South East site values are reckoned to be on average 50% of the total property value. In the illustrations in the previous paragraph the land accounts for 60%. On this reckoning, property prices under LVT could well be half what they are today in the South East.

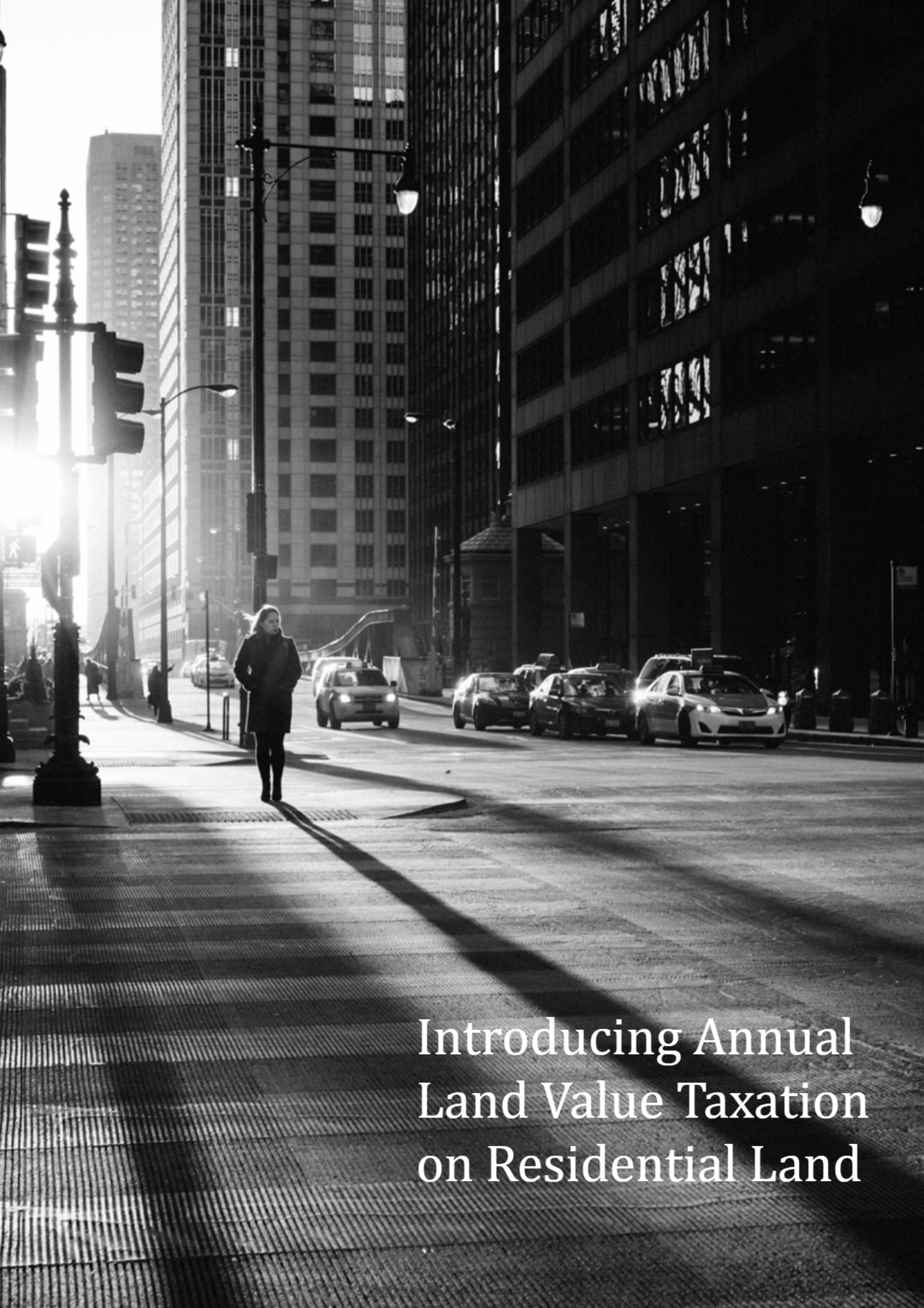
LVT would also reduce property rents. The rent a property commands is determined by the rate of return the landlord expects on his investment. If the value of the house, i.e., his investment, is much lower, so, too, would be the rent. Rents could well halve - in the South East, at least - and would then be affordable. Indeed, under LVT much of the attraction of buying over renting would disappear. As well as making property affordable and rents acceptable, LVT would also improve the supply of housing. It would do this in three ways. First, there are an estimated one million empty properties in the United Kingdom. LVT would make it very costly to hold these out of use. Many of them would have to be sold, rented out or put to use. Second, under LVT it would be much more expensive to own second or third homes. Many of these would have to be sold, thus becoming available for purchase by local people.

Third, LVT would cut the ground from underneath the phenomenon of 'house hoarding', i.e., the occupancy of accommodation in excess of one's needs. Present arrangements encourage 'house hoarding' as a larger - and hence more valuable - property will produce a bigger tax-free capital gain for its owner than a smaller one. Under LVT there would be no prospect of a capital gain, let alone a larger one. Housing would become a commodity like cars, washing machines and fridges. Because of ordinary wear and tear a building would be expected to fall in value over time - significantly so if it were not properly maintained.

Two other benefits both linked indirectly to the housing crisis should also be mentioned. First, with much lower market rents it is reasonable to expect considerable savings in the cost of Housing Benefit, currently some £25 billion. Second, most properties are bought with a mortgage. Total property lending to individuals is a staggering £1.3 billion. If we assume that half of this is attributable to the site or land value, then the credit resources released by LVT could be upwards of £600 billion. Such a sum made available to finance productive investment in goods, services and infrastructure would make an appreciable difference to our economy.

Every economic crisis since the early 1970s has had as its root cause a speculative property (i.e., land) boom and imprudent property lending to finance it. Each crisis has been more serious than the previous one. And now, with interest rates close to zero the property bubble continues to inflate. Eventually, of course, it will burst. With conventional economic solutions running out, the implications for the economy and indeed our political stability are cause for great concern. 📌





Introducing Annual  
Land Value Taxation  
on Residential Land

Public references to land value taxation are becoming more frequent. A recent example appeared in the December 2015 Article IV report by the International Monetary Fund:

*Property tax reform, along the lines recommended in the Mirrlees Review, could help reduce vulnerabilities in the housing market by easing supply constraints. For example, rebalancing taxation away from transactions and towards property values could boost mobility and facilitate more efficient use of the housing stock. Reducing council tax discounts for single-occupant properties could also increase the utilization of these properties.*

This comment attracted little attention but it is another straw in the wind. Leaders must be increasingly aware of the need for full discussion on land value taxation, but are held back by a fear of losing votes. The purpose of this presentation is to suggest a politically acceptable way in which an annual levy on the value of residential land can be introduced. In round figures there are 25 million homes in England and Wales valued conservatively at an average of £200 thousand each, making a total of £5 trillion, the major part of all private assets.

In the absence of any separate public valuation of the land element included in the total, it is estimated to be £2.5 trillion. A reasonable estimate of rental value at 4% would therefore indicate a collectable amount of at least £100 billion. These figures are subject to a number of caveats. In particular, the realization that property values will be reduced as the tax increases will cause changes which cannot be reliably forecast. However, these figures do indicate the scale of the sums involved.

It is likely that there would be considerable resistance to the collection of £100 billion in land value tax even if there is a corresponding reduction in taxation on earnings. The temptation will be to mitigate its effect and various ideas have been suggested to deflect criticism.

#### *1) A Homestead Allowance*

A basic personal allowance on the grounds that everybody is entitled to a home is appealing but it would create anomalies. For example, would it vary according to local land values? Would joint owners, for example a married couple, receive double the allowance of the widow next door? How could relief be given on property occupied by one or more tenants? A personal allowance would be contrary to the basic principle that compensation paid to the community for land use should vary according to its annual economic rental value and not in accordance with the personal circumstances of the occupiers. The objective should be to enable everybody to provide their own home by their own efforts. Furthermore, at personal allowances equal to a minimal £50 thousand per home on 25 million homes the total would be £1.25 trillion. This would so diminish the tax base, and consequently the tax revenue, that the Land Value Tax project would be dismissed as not worth the effort involved.

#### *2) Charitable Relief*

Those in genuine need of help must receive it. Land Value Tax fully levied would be sufficient to provide any necessary rebate. Charities could continue to help with transitional relief until government revenue is sufficient.

#### *3) Social Housing and Affordable Housing*

This is effectively a subsidy which eventually will not be needed. The reduction and possible eventual elimination of tax on earnings with the associated general improvements in the economy will make it possible for all to enjoy a home without subsidy.

#### *4) Offering Citizens' Income*

A particularly attractive idea is to distribute all or part of any additional tax collected equally to every citizen, but this would prevent or limit the reduction of tax on earnings. Instead of the progressive unwinding of the welfare state which would result from the reduction of tax on earnings, the process of collection and redistribution would be made even more complex and inequitable. Earnings are taxed because the state does not collect Land Value Tax, its true revenue. The right policy is to reverse this process by collecting Land Value Tax and reducing tax on earnings. A citizens' income could, however, be justified if Land Value Tax revenue eventually exceeded government expenditure, including necessary help to those in need.

#### *5) Relief for Prepaid Rent*

This is a real and continuing problem. The market price of landed property is the estimated present capital value of all future rent. An assessment to any land value tax on the purchaser of a home is therefore a second payment of the land element of rental value paid in advance at the time of purchase. If the purchase price is borrowed there will be the added burden of interest on the outstanding balance. There is clearly a pressing need for some form of relief. Unfortunately, there is no way of giving relief that would be fair to everybody. The only equitable solution would be to recover from the vendors the purchase price of the land and to recover from lenders the loan interest paid. This is obviously not an acceptable policy, even if it were possible. This unfortunate situation emphasises the need to introduce the tax gradually, possibly by instalments to correspond as far as possible with the reduction in taxation on earnings. The double assessment would be progressively less on future home purchases as prices gradually fall towards the price of the building only.

### THE PRINCIPLE

The overriding objective when considering these and any other palliatives must be the eventual collection of the full economic rent of all land with the very minimum of exceptions. Comparable action in respect of commercial, industrial and agricultural land would proceed in parallel, with the object of creating a unified tax on annual land values.

Concessions would lead to unintended consequences that would produce an unfair result. If the objective is reduced to the idea of a contribution to the present taxation system based on earnings, the full benefit could not be realised and opposition would cause it to fail. It is a daunting prospect for politicians who must introduce it.

The proposal needs to be:

- a) Fair, in the sense of being for the common good.
- b) Simple and easy to explain.
- c) Capable of being introduced gradually.



## THE PROPOSED POLICY

It is tempting when introducing a new policy to scrap the existing arrangements and make a fresh start but there is merit in maintaining continuity. It would be better to retain initially that which is already accepted and make the necessary changes gradually. It is suggested that for residential land, Council Tax has the necessary attributes to act as the starting point. Council Tax has many detractors and is usually dismissed for what appear to be obvious reasons. However, it is suggested that there is a strong case for retaining it temporarily. The complete substitution of our present taxation system by the collection of the economic rent of land as the natural government revenue is a huge undertaking. It would need years of preparation before collection could start. It is quite possible to modify and improve Council Tax relatively quickly as the first step towards a comprehensive annual land value tax. The immediate benefits will hasten the work of introducing a unified annual land tax on all land. Abandoning it because of its apparent defects will unnecessarily delay the introduction.

## THE PRACTICAL APPLICATION

The main problems and advantages are summarised below.

### PROBLEMS WITH COUNCIL TAX

#### 1) *Values and Bands*

It is based on valuations made in 1991 which in many cases bear no relation to the current pattern of land values. Similarly, the current Council Tax bands are inadequate and more bands would be essential.

Properties have generally remained in the same bands and new properties are assessed on the basis of what their value would have been in 1991. This means that the council tax bandwidths have expanded in proportion to increases in property values. Residential property values are estimated to be at least three times the values in 1991 and therefore band widths must be at least three times the original widths. When multiplied by three, the top band now starts at £960 thousand.

However, the values are not the most relevant factor. It is the gradation of the band values that is relevant. Provided that the relationship of the bands to one another is still approximately in accordance with current values, the actual band values are not significant. It is true that there has been a progressively larger increase in the value of the land element of property in the higher bands so that there is a progressively greater undervaluation of property when using these modified 1991 values. It is also relevant that because of this trend, many higher value properties should be in a higher band. Despite this, the relative values of the individual bands still give an adequate comparison at the low rates of tax that will be charged initially.

#### 2) *Building Values Are Included*

Values include the buildings as well as the land. This appears to be a valid objection but in general, the land element forms a higher proportion of the total value in the higher bands. This means that the higher bands will pay proportionately less tax for as long as total property value is the basis of assessment. The use of total value will ease the greater jump to current land values used for pure Land Value Tax.

#### 3) *Payable by Occupiers*

It is payable by occupiers instead of owners. It is probable that most of those who would pay more tax would also be owners. It is property let on leases and other tenancy agreements that will need special consideration. The situation will be the same with a pure land value tax. The first step will be to announce that for new leases and after the termination or rent review dates of current contracts, all future council tax will be the liability of the owner.

Assessments will continue to be made on the occupier who will then deduct the tax paid from subsequent rent payments. While existing contracts remain in force, only the increases in tax payable would be deductible from the rent. The gradual reduction in income received by the owner will mirror the gradual increase in Council Tax payable by an owner occupier. The effect will be: The tenant, who benefits from the use of the land, will still pay the market rent. It will comprise the rent of the land plus the rent of the building. The Council Tax payable on the land rent will be offset by the corresponding reductions in taxation on earnings and the general economic benefits of annual land value taxation. The government will receive the Council Tax. The owner will receive the rent of the building plus the reducing rent of the land.

#### 4) *Council Tax Is A Local Tax*

The universal principle of collecting the economic rent of land as communal income cannot be reduced to the idea of a local tax.

This is a fundamental problem of any tax on the economic rent of land. The single source of revenue must provide for expenditure at all levels of government. The exact divisions will be the subject of consideration and debate. It would have to be tackled immediately if there was a direct switch from Council Tax to Land Value Tax and it is better to temporarily continue the existing procedures for the transfers from central to local government.

### ADVANTAGES OF RETAINING COUNCIL TAX TEMPORARILY

#### 1) *A Familiar Tax Can Be Made More Fair*

It can be introduced with the simple statement that "We shall make Council Tax Fair". This positive proposal is far better than the announcement of yet another new tax. It would be more difficult for opponents of land value taxation to fault it.

The existing band structure is still a fair way to assess the tax payable, as noted above, but at present it cannot be used directly because of a formula interposed deliberately to limit its effect. This formula, based on varying numbers of ninths of the amount payable at Band D, is rarely mentioned and its regressive effect is not generally appreciated. The lowest rate, which is for Band A properties, is fixed at six ninths of the Band D figure and the highest rate, which is for Band H properties, is fixed at eighteen ninths. This completely changes the relationship between the band values and the tax payable.

The effect is that whereas the top band value is at least ten times the lowest band value, the highest rate of tax payable is only three times the lowest rate. The rate of tax payable could easily be changed in a number of ways by arithmetical calculation to gradually bring the assessments into line with the band values. With Band D at the current average level of £1500, the tax payable on Band A is £1000 and the tax payable on the top Band H is £3000. A change to assessment on band values while maintaining the same total revenue would result in tax rates ranging from £600 on Band A homes to £7680 at Band H. 65% of homes are in bands A to C and all would pay less. Only those homes in higher bands would pay more.

Changes could start immediately and continue progressively while the necessary discussions, laws and valuations for Land Value Tax are being made. Another practical advantage is that future Council Tax Bills could be sent out in their present familiar form. Many lower value homes are in deprived areas of Northern England. The lower rates of Council Tax would have an immediate beneficial effect and reduce the dependence on council tax benefits which at present total over £4 billion annually.

The expectation of reduced tax on earnings and the wider economic benefits of annual land value taxation would be an immediate boost for the Northern Powerhouse project.





## 2) Possibility of An Immediate Increase in Revenue

Having established the principal of fairness, the general rate could at the same time be gradually increased. An increase of 25% in tax rates on all bands would yield over £8 billion per annum in extra tax which could be used to eliminate Stamp Duty Land Tax and/or to reduce taxes on earnings. At this higher rate, over 10 million homes in bands A and B would still be paying either less or only slightly more Council Tax than at present. It would also be possible to move towards a uniform rate of Council Tax as a step towards the ultimate unified rate of Land Value Tax on all land.

## 3) Revaluation

Maintaining the Council Tax obviates the need for an immediate valuation of all land, which would be necessary for the introduction of a pure land value tax. Revaluation could be started on the higher bands, assessing both the whole property and the land only. This would allow the organization and expertise to be built up gradually. The higher values would be an indication of and preparation for increases in tax payable.

If it was decided to apply the increased council tax assessments immediately, two or three additional bands could be declared. When it is decided to introduce pure Land Value Taxation, the land valuation could be speeded up, using modern techniques.

## 4) Financial Policy

Property prices would be likely to adjust more gradually than if Land Value Tax were to be introduced without a preliminary stage. This would limit the effect on the banking system.

## 5) Mansion Tax

The inherent fairness would make it more difficult to condemn it as an extension of the derided 'Mansion Tax'

## 6) Property Improvements

By up-dating the band values in proportion to the 1991 values, all subsequent building improvements would remain tax-free

## 7) Land Held Out of Use

The knowledge that tax payable on completed developments will steadily increase will of itself reduce the value of vacant residential land including building plots held by property companies. This will be sufficient to hasten the building programme in order to avoid the loss. It would be unduly disruptive to introduce Council Tax on vacant land immediately.

## CONCLUSION

Council Tax should not be abandoned but should rather be retained and modified as a simple and easy to understand introduction to a pure comprehensive Land Value Tax.

The proposed gradualist approach would appeal to politicians who understand the advantages of taxing the unearned benefit received by landowners rather than the earnings from the work that produces the real wealth. They would understand that it could quickly attract the attention of young aspiring workers and gain their energy and enthusiasm to hasten the process – and also gain their votes.

Every journey has a destination that does not change despite all twists and turns, delays and deviations. So must the recovery of the economic rent of land for the people be the unalterable final destination. The use of Council Tax is an immediately available practical way of starting the necessarily long process. Clarity on the ultimate objective will steer the project through all temporary difficulties.

A modified Council Tax can lead naturally to a pure annual land value tax and economic justice for the common good. 🇬🇧

nature





## NATURAL JUSTICE

In his *The Origin and Goal of History* the philosopher Karl Jaspers writes:

*Since the earliest times man has attempted to picture the whole to himself: first in mythical images (in theogonies and cosmogonies, in which man has his appointed place), then in the image of divine activity operating through the decisive events of world politics (the historical vision of the prophets), then as a process of revelation through the whole course of history, from the creation of the world and the fall of man to the end of the world and the last judgement (St Augustine).*

The quest to picture the whole continues in our modern age, through the sciences, the arts, philosophy, and religion, and any notion of human society will be conceived before the backdrop of this quest to understand and envision the whole. The quest to envision the whole is inseparable from the quest to understand human society. The human species is characterised by *reflecting on the nature of things*. It is this that distinguishes it from all other species.

Since earliest times this capacity to reflect on the nature of things has been bound up with the question of justice. The Greek word 'kosmos' contains justice as part of its meaning, and the notion of cosmic order meant the justice of the universe. This sense of cosmic justice grounds the quest for the just society. For the ancient philosophers, the question of the nature of society is bound up with the question of the place of human society in the natural order of things. This concern was universal and can be traced in the earliest Greek, Indian, Chinese and Jewish writings. It is with us in our times in ecology and the pressing need to preserve the environment.

What is the place of society in the natural order of the earth? This question arises with human reflection and calls for a response in every age. It is part of the human situation. The human species is confronted with a world which demands an intelligent and ethical response. If the response is unintelligent and unethical, nature inflicts hardship on society. Where a society tolerates injustice, it also acts against nature as a whole. How a society lives reveals its stance towards nature as a whole. The two spheres cannot be separated. These are truths expressed in the ancient prophets of Israel, the Greek philosophers Plato and Aristotle, the Chinese philosopher Confucius, and the Indian teachings of the Buddha. Ultimately all philosophy is concerned with how the human race can live justly and in accord with nature. Every other question follows from this.

Modern environmentalists grapple with this fundamental question in the way it forces itself upon us through the industrialisation of mankind. Some make powerful arguments for a return to pre-reflective society, such as David Abram in his *The Spell of the Sensuous*. In this view the rise of writing and technology have broken the natural link of man with the other creatures – the animals and the trees and rivers with which we once communed. Less radical than this is the call to cease wasting the resources of nature, and to return to farming practices in accord with the restorative cycles of nature, to care for the earth rather than blindly exploit it through greed. The perils of global warming are gradually impinging on our consciousness and demanding an intelligent and ethical response from the whole race. The notion of the seventeenth century that nature is just a machine which human ingenuity can master and control, an idea meant to overthrow all

ancient superstitions, turns out to be an arrogant illusion and itself a mere superstition. There was no need for the new scientific discoveries of the Enlightenment to reduce nature to an inert machine. The new discoveries showed the reverse; that nature was highly complex and intelligent, and interconnected in all its parts from stone to thought or consciousness. But the mechanistic view, the materialism, made it possible to separate knowledge from ethical responsibility. It gave permission to exploit nature, to view it as mere material for the pursuit of luxury and the enslaving of the majority to harsh labour. The exploitation of nature corresponds exactly with the exploitation of man and society. The mechanistic view of nature, as brutish, self-interested and in perpetual war with itself, relieved industrialists and money changers of all moral responsibility. It was a political view, not a scientific one, imposed upon the investigation of nature. And so the advances of science have been crippled and prevented from serving the common good in a society essentially unjust and stifling the flowering of human talents. So profound has the rift between natural knowledge and ethics become in our culture that modern philosophy stumbles in confusion in the field of morality, and positive law cannot ground itself in natural justice any longer. The ethical relations between citizens and nations have become an artificial construct and a new market-place for litigious exploitation.

As with the scientific discoveries of the seventeenth century, so the economic discoveries were likewise reduced to mere mechanism. Human nature was diminished to mere labour, land to mere resource, and capital to a mere tool for making a monetary return. Society was now conceived as an economic machine, a production line. Government became the servant of the merchant and the money-lender, with the ethical in necessary conflict with the efficient.

All this follows from a failure to take proper thought. Economic and social injustice are the result of ignorance, of disregard of what enquiry can discover. Material injustice is the manifestation of rational dishonesty. But, as Henry George observed, economic injustice is maintained by an intellectual laziness, a reluctance to enquire into the laws of nature and the natural order of society. This reluctance of itself imprisons society in ignorance and poverty, and invites the exploiter. This by no means indicates that justice is easy to understand or accomplish. It remains always what a society aspires towards, just as a musician aspires towards perfection. For civilisation it is a work always underway, requiring continuous effort. Our age makes little advance towards social and economic justice because the reduction of society to a production machine continues to rule economic enquiry. It is easy to forget that the science of economics began in the scientific spirit that sought to grasp human life as a clockwork machine, rather than the flowering of culture. The human person was conceived as at war with every other person, and so order and peace needed to be imposed through the will of the legislator to create society. Society and citizenship were perceived as artificial entities which needed to be imposed upon an essentially savage human nature. These conceptions were posited in direct opposition to the traditional understanding of human nature and society, which conceived society as part of the intelligent and providential order of the universe. The notion that society is artificial still colours and distorts economic and political enquiry. It means that justice itself must be conceived as artificial, and therefore ultimately arbitrary.

We can trace the rise of these ideas through a profound change that took place in the conception of natural law, beginning in the



sixteenth century. Indeed the words 'natural' and 'law' both lost their original meanings at the same time. So although the early economists use the expression 'natural law', they do not mean by it what it originally meant. From classical times until the end of the Middle Ages 'nature' meant the arising of all things and their growth towards perfection. It is essentially an activity. So the 'nature' or 'essence' of anything was the perfect actualisation towards which it strove. For example, the essence and nature of the human baby was the 'adult' it was by nature maturing towards. The nature of anything was understood to be its completed actualisation. Nature is seen as teleological, striving for perfection and completeness. This was the case for each individual thing and for the whole, so that there was a harmony between all things and the entire cosmos, which itself strove towards its perfection. This ancient insight has been rediscovered in the 'anthropic principle', the scientific theory that for the human brain to have evolved on earth the entire universe has to be configured exactly as it is. It is also to be found in the discoveries of systems biology, which studies living organisms as wholes ruled by their life principle.

It is a small step from understanding nature in this way to seeing how 'law' springs from observing the ordered manner in which things go towards their proper ends. Law introduces the concept of the 'good' of each thing and the whole. Law is not a force imposed on things from outside, but is an expression of their nature. For something to be 'unlawful' means it departs from its proper end. Everything in its nature moves itself towards its proper end out of its own nature, not from outside itself. At the same time as it seeks its own proper end or perfection, it also moves and works in harmony with the whole cosmos – with the justice of the universe.

For the Greek philosophers human society was part of nature, a natural phenomenon, just as the flourishing of every other species. And like everything else, it has its proper end or perfection within the total order of things. And like everything else, human nature is known from its proper end or full actualisation. For Plato and Aristotle the full flowering of human nature is possible only through political discourse. *Anthropos* is the being of language. Aristotle says "speech is for making clear what is beneficial and harmful, and hence also what is just or unjust" (*Politics* 1253a8-18). This is what politics is, and thus a society is only a political society insofar as it gives speech to discerning what is just or unjust. By 'speech' is meant 'speaking' and also 'reason', since it is speech that manifests human nature as rational and as continually enquiring into the best way of life. Politics is essentially continual deliberation on justice. A political society therefore is essentially ethical, concerned with the common good, with the best way of life for the human community. This is the proper end of speech, to discern justice and avoid injustice. From this arises the ability to make laws, because the discernment of justice opens the possibility of foresight into the consequences of good or harmful action. The human person is here understood as an essentially *communal* being, a participant in the whole community. The capacity to participate and share in the responsibilities of society is the measure of the stature of the individual. This is why for the Greek philosophers the civic life and the virtuous life were one and the same. And so it was also for the noble Roman Stoics such as Cicero and Markus Aurelius. To discern the law was to be human, and to be just was to be fully human. The law is not a doctrine or a set of decrees, it is the natural motion of nature towards completeness and goodness. The mark of the political society fulfilling its proper end is friendship between all citizens. Friendship arises only between good people, and so only a virtuous society lives in peace and happiness.

It was this conception of human nature and society that was discarded by the seventeenth century philosophers and economists and replaced by the conception of the person as property owning. At a single stroke the traditional relation of society to nature is overthrown. The proprietary self now replaced the civic self, and man as participant in the natural order is replaced by man as owner or titleholder. The modern person owned himself and by extension laid claim on the natural world as a possession. The

earth itself ceased to be the dwelling place of man and became his property. The Lockean conception of the self as bounded or self-contained is no longer the communal self of the classical world, but rather represents the birth of the private self that stands apart from society and over against nature, participating only by way of asserting itself over things. This conception of the human self presupposes the individual arises prior to the species and before political society. It could not be further from the classical self that comes into being as a participant and integral part of the whole society. This proprietary self can never be a citizen by nature, and therefore never be ethical or virtuous by nature. Its law is the law of might rather than right. It is the embryo of the tyrant in classical politics.

With the emergence of the proprietary self, of self-ownership and the sovereignty of the will over nature, a new conception of 'natural law' emerges. This new conception of natural law is no longer the natural justice which brings all things into mutually beneficial harmony, it is the law of mutual opposition, of competing selves each seeking the maximum gain for itself. Politics is no longer deliberation on what is just and unjust, but becomes the endless negotiation of competing self-interests. To mitigate the harmful consequences of such a form of politics, law-making necessarily becomes a form of imposition upon society, rather than the articulation of natural justice. It is not concerned to restore the natural order of the human way of life, or to foster friendship between all citizens, or to assure the common good. There cannot be a common good in a society of persons each seeking to possess what the other seeks to possess. Positive law can no longer aim at what is best, but can seek to only mitigate what is worst.

The conception of society as competing interests gained strong support on the nineteenth century from the theory of biological evolution. Herbert Spencer propounded a theory of social evolution in which only the strongest individuals are meant to survive. In this view, political attempts to mitigate poverty resist natural selection, and are therefore misguided. Poverty is nature's way of eliminating the superfluous and weak. Like Locke before him, Spencer sees the freedom of the individual to pursue their desires, so long as they did not infringe on the similar freedom of others, as the foundation of a social ethics. This ethic of guarded self-interest is not an ethic at all, but a sophistic justification of the primacy of the individual over the common good. The idea of social evolution, as continuous adaptation, defers the fully *evolved society* into an indefinite future, justifying all present ills. The classical understanding that a society flourishes through deliberation on the immediate common good, and that citizenship manifests through mutual concern for justice, now becomes an impossibility, a utopian dream. Social evolution removes the capacity of a society to flourish out of itself. The law of nature now becomes a force shaping the world from outside, not towards some higher end, but as a process of pragmatic adaptation to chance and necessity. In such a vision of nature the features that distinguish the human from the other species are removed. Society, like the Lockean self, is essentially in conflict with nature as a whole. The claim of self-ownership and individual autonomy within such a conception of nature is strictly speaking an illusory act of defiance. Such a self cannot enquire into the nature of justice as the ancient philosophers did. The modern political conception of human nature has been diminished through the separation of the rational and the ethical. Nothing illustrates this more clearly than the incapacity of modern economists to see that the private acquisition of land for exclusive use is both irrational and unjust. The Law of Rent illustrates that the ancient philosophers were right in conceiving society as natural, since the Law of Rent shows how mutual benefit arises spontaneously through citizenship and the emergence of this natural revenue. Rent is the material expression of the ethical relation of man with the land or Mother Earth. It arises only with human settlement. It signifies in a most primordial way that the human species is intended by nature to act for the good of one another through reason and through virtue. This is why the Greek and Roman philosophers saw friendship as the highest human achievement, and as the true purpose of law-



making. Friendship arises only through the common quest for the good life, the life proper to a society or polis. All this becomes invisible under the atomistic conception of the person as owner. A proprietorial relation of the individual to the world is a legal fiction and does not exist by nature. It is maintained only through distorted positive law and is not present at the foundation of human community. It has been maintained by the theory, often repeated by the classical economists, that the socialisation of man came about through isolated individuals gradually coming together to form embryo communities through exchange. But like all primates, man was always a social being, and this theory of the origins of society has been proved to be entirely false and misleading. The individual, on the contrary, arises only through organised society where alone individuation is possible. More than this, as the Stoic philosophers saw, the sense of personhood emerges from the sense of common humanity.

The notion of the proprietorial self has not only shaped economic theory, it has extended into jurisprudence and broken the link between positive law and ethics. Where natural law originally emerged from the communal quest for the common good, positive law grounds itself in the decree of the ruler and replaces the social relations of the person with contractual relations. The true relations between all institutions and the person are distorted by this separation. The 'state' and the 'individual' are consequently seen as in perpetual conflict and as having opposing aims. All this occurs through defining selfhood in terms of claims upon property. It gives birth to a form of economics separate from and at variance with the true nature of society. The enclosures in Britain and this new notion of selfhood arose together, and we observe that the great preoccupation of law in that period was with property. The two notions belong together. It is only through misconceiving human nature that the relation with the land becomes likewise misconceived. This is why the Law of Rent touches a blind spot in modern economic thinking. And it is why economic thinking itself reduces the understanding of society to mere commercial exchange. In a purely commercialised society, founded upon mutual exploitation, the higher institutions, such as education, medicine, jurisprudence, government, the arts, become a 'cost' to the market, rather than the flowering of human potential.

We began with the observation from Karl Jaspers that since earliest times man has always attempted to picture *the whole* and to situate the human species in the cosmic order. This quest continues in our age in the sciences and in philosophy and religion. The concern to understand the truth of things shows itself to be the distinguishing feature of the human species. Man is the being that reflects on the nature of things, with the desire to live according to truth. From this emerges politics in the form of speech, as the deliberation upon what is good and bad, just and unjust. The rational and the ethical manifest simultaneously, as integral thought. The true and the good are two sides of one reality. The quest to understand the truth of things springs from the essence of human nature. It orients humanity towards the world. Yet it ever remains an aspiration, an open-ended quest. Nevertheless, every person knows that to live in accordance with the true and the just is the proper life of the individual and society. It remains to be manifested, like a talent that needs to be nurtured. It is the task calling for fulfilment, the work of the political entity. This aspiration remains, yet is tethered by the prevailing mechanistic and amoral conception of nature, the legalised notion of the self, and the proprietorial notion of the relation of man to the earth. On the other hand, it is precisely through these deep misconceptions that the call to understanding addresses us. Insofar as a society accepts falsehoods and injustice it abdicates from its essential human purpose. The work called for is that of understanding. It is a creative work, natural to the human intelligence, worthy of dedication, and fosters peaceful discourse. A society will only change if its understanding changes, if what it holds to be true changes. I give the last word to Aristotle, "Man's work as Man is accomplished by virtue of Practical Wisdom and Moral Virtue, the latter giving the right aim and direction, the former the right means to its attainment." ■

## HGF BRIEFING NOTES

The Friday Afternoon Study Group has continued with the reading of *Social Problems* by Henry George, and we are continually astonished to find how up-to-date it is, except that, if anything, things are now even worse than then. He anticipates the time of full land enclosure in the States, and the problems following that. We also have lined up a further talk by Alan Roberts on Alexander Pope and Language.

## FRIDAY EVENING PROGRAMME

The series of George's Speeches are continuing. Richard Bolton will continue leading the study of George's Speeches starting with "Moses: Apostle of Freedom" - an address delivered by Henry George before the Young Men's Hebrew Association of San Francisco. "Three great religions place the leader of the Exodus upon the highest plane they allot to humankind. To Christendom and to Islam, as well as to Judaism, Moses is the mouthpiece and lawgiver of the Most High; the medium, clothed with supernatural powers, through which the divine will has spoken. Yet this very exaltation, by raising him above comparison, may prevent the real grandeur of the man from being seen. It is amid his brethren that Saul stands taller and fairer." The next speech to be read will be 'The Study of Political Economy', a lecture delivered before the students of the University of California, the 9th March 1877.

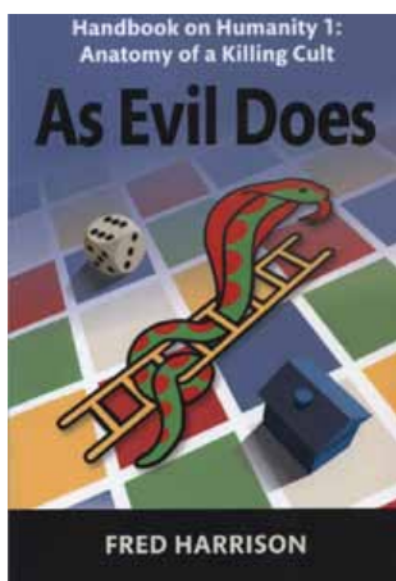
Plato's *Laws*. Joseph Milne will continue to lead this very popular enquiry into Plato's explorations of the art of law-making, the aims of education, the meaning of citizenship, the virtuous life, good regulation of trade and property, and the place of religion in the just and harmonious society. There is much in Plato's *Laws* that challenges the underlying values of modern economic theory.



## DIGITIZATION OF LAND&LIBERTY

The Henry George Foundation has a unique collection of all issues of *Land&Liberty* published since 1894. These are now being digitally reproduced in searchable PDF-files, which will be freely available online. This is a delicate undertaking as the oldest issues require very careful handling and specialised photographic equipment. Making all these volumes of the magazine available will be an invaluable research resource for economists and historians. ■





## AS EVIL DOES

BY FRED HARRISON

Reviewed by Simon McKenna

Geophilos, 2015

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If it were not immediately obvious from the titles and subtitles, the first few pages also confirm: *As Evil Does* is designed to raise ire and inform dissent. This polemical tone could even appear histrionic. Yet it should not be dismissed on this account. Instead, the rationale that informs this method and the result Fred Harrison achieves, warrant serious consideration by all concerned with Henry George and positive social change.

To Fred Harrison the land question is not merely a problematic subdivision of fiscal policy. The problem is psychological and cultural. It lies in socially accepted preconceptions regarding property, nature, history and the true value of human life.

Harrison variously describes this phenomenon as if it were a deadly social virus, a parasite and a deadly cult. Over the last several hundred years, it has ruinously “overwhelmed the innate, organic intelligence that informs the culture of free people”. It has created institutions that serve private interests when they should serve the public good. It so governs our thought that we now cannot even imagine the existence of legitimate alternatives. To Harrison it is fatal and evil because it deliberately consumes human life for unreal economic advantage.

*As Evil Does* therefore offers activists an array of facts, case studies and moral arguments which reveal this infection. The author attempts to awaken the full horror of the malaise before our irrational attachment to what is sick can be replaced with reasoned acceptance of what is healthy. In doing so he traces the complex cultural and psychological history of the British people with our present day socio-economic conditions.

As a virus it manifests as a highly contagious infection that defends itself by encouraging selfish conformism. Take this fairly interesting example from the book: George Warde Norman,

a former director at the Bank of England, is, for Harrison, the example par excellence of a sick citizen. Norman was active in public life as a famous pamphleteer, an active utilitarian and a founding member of the Political Economy Club where David Ricardo first expounded his Law of Rent. Harrison relates how, ten years before Henry George was born, Norman had followed Ricardo's new theory of rent to its logical “moral” conclusion. Since all taxes come out of rent, a single tax is the most ethical way to fund government.

These revolutionary findings were supported by significant historical evidence available to him at that time. The data showed how, before *Magna Carta*, 100% of the tax burden rested on the shoulders of the landed aristocracy, completely funding the government. However, since the 1030s, when the right to private enclosure became protected by law, the government could no longer simply demand what it wanted of the Lords' property. The government could legally only raise revenue by creating sovereign debt and enforcing various kinds of taxes. By 1066-1216, land rent as a percentage of national revenue was already down from 100% to 95%. Over the next 800 years the tax burden was transferred almost entirely from landlords to landless wealth producers. By 1816-1845, only 5% of national revenue was taken from rent. Norman knew a 95% tax increase on the needy and hardworking was economically and ethically unjustifiable. Yet, despite his research, his professed belief in the ‘greatest happiness for the greatest number’ and his power to influence public discourse and public policy, Norman not only kept his research secret, he even published an article in defence of landlords. Norman had no appetite for any significant change because “he was too embedded in the culture of cheating”.

Many of Harrison's most powerful observations stem from his evocation of man's naturally profound relationship with the land as the commons and the true meaning of rent. The commons are not merely the shared spaces but the entire phenomena of a culture. It is the “material embodiment of our humanity”, created and shared among people. This holistic understanding of political economy represents an enormous challenge to the orthodox social and economic history of England.

Theorists usually attribute the proliferation of human suffering amidst immense social progress to industrialisation. In *As Evil Does* Harrison argues that, since communities evolve with natural reference with the land, theft of the land is of the deepest cultural significance. This relationship was characterised by vital dependency and natural responsibility. When private interests enclosed the land, the community lost its “sacred income”. Folk culture and natural “common sense” were rendered anachronistic, the social mind debased. The individual was left homeless and isolated.

The uprooted consciousness of the nation was reshaped in accordance with a new culture founded on greed. Co-operative relationships beneficial for all were split-up and destroyed, sacrificed for private, ‘objective’ financial gain. This new arrangement was made possible by new laws, such as *The Statute of Merton*, which, alongside *Magna Carta*, “institutionalise[d] irresponsibility”. A title deed was allowed to overrule the profound relation of a people to their homeland. The landlord's primary responsibility was now to the letter of the law rather than to the people of the earth. The government's duty became to protect the incomes of barons and princes. Following this logic the people were made to pay.



*As Evil Does* attempts to describe how the historic enclosure of England was concomitant to a deliberate reshaping of time. "The timing of marriages, the affirmation of authority structures, the organisation of joyous festivals... were all spun around the rhythms of time that served everyone's interests." But all that changed when land, once appropriated, had to be kept out of public possession. The rent-seeking aristocracy adopted primogeniture, thereby stretching time and protecting their fortunes from redistribution, even beyond death.

Gifted with a guaranteed income from rent, landowning families were able to invest in the financial markets. To better fit the economic demands of this new, extra-geographical marketplace, time, socially understood, was almost completely divorced from the land. Work and leisure time no longer recognised natural regional irregularities such as festivals. Work time took priority over individual characteristics which had allowed people to suit themselves to their callings. "In place of the rhythms of the diversified household economy in rural areas, families were reduced to monotonous mono-cultures." Harrison evokes the image of a formerly noble people "congealed into clogs and cloth caps" to show how individuals became homogenised, anonymous, interchangeable agents of a 'work force.' Individuals were forced into an inhuman organisation where any one man was able to assume the garb of any other and 'work his shift', which is to say, instantly replace him. Work was then organised according to the calling of anonymous shareholders. If this was now made to seem almost normal, it was because the British people, the British countryside and time itself had been redefined to serve an abstract economy.

Likewise in the intellectual realm, a totalising metanarrative, a "doctrine of social progress" known generally as The Enlightenment, drowned out common sense, in Harrison's view, and made legitimate alternative voices incomprehensible. With no time to spend with family and only an attitude of self-interest to share with neighbours, the spread of anomie was inevitable.

The result is that most people are now simply convinced that the 'free market' is the best or most realistic means to happiness for individuals as 'consumers' and 'homeowners'. We have been so deeply infected by a culture of the private individual that even our intelligent acquaintances are apparently unable to accept land as the natural basis of community life. The people have been duped. They are so convinced by their new rights to home ownership and habeas corpus they cannot see themselves compliant victims of a fundamental injustice.

Harrison cannot be accused of standing alone on this issue. Hannah Arendt, who sought to understand why totalitarian and imperialist regimes emerged with modernity, found that people had first to be uprooted and separated from their traditional world which upheld natural limits. Enlightenment era imperialism rendered people 'superfluous', converted 'solid property into liquid wealth' and liberated commerce from any geographical limitation. But Harrison's analysis is more profound as he grasps the significance of land in a way few other theorists seem capable of doing.

Throughout the book Harrison cites many interesting studies to support his strong views. But what is most striking is not the facts but the philosophic nature of his argument. For while speaking of economic ideas, he brings our attention to the fact that life is not about economics but about happiness.

Some supporters of a land tax will be concerned that his emotive rhetorical style lacks the kind of rational legitimacy and dignity they desire for this project. They would seek to persuade people through explaining the logical cogency of a single tax. For Harrison this is a mistake because it presents a land tax reform as one among many questionable reforms to the status-quo. People are therefore entitled to presume that it will, like any other alternative, have its benefits and unstated pitfalls. The single tax seems arbitrary because in our time reason and logic no longer speak for the beauty of genuine happiness.

*As Evil Does* commends itself to anyone with an interest in land issues as a must read. Harrison crams a huge amount of fascinating data and unflinching insight gained from a lifetime's activism into this compact first volume of his new trilogy. Despite his self-declared split from the "British Georgist movement", this reviewer finds him to have an eloquent regard for human suffering akin to the Christian ethical concern found in Henry George himself, if with an oratory more vitriolic. Harrison has demonstrated there is much more at stake than can be remedied by a campaign for a land value tax. He has shown why the land question is an ethical problem of ultimate consequence. ■



## BOOKS WORTH READING

It hardly needs to be said that the problems of global warming and the destruction of the environment are consequences of the abuse of the land and the economics of exploitation. But few have noticed that there is direct connection between ecological neglect and the distortions of modern jurisprudence. This is the theme taken up in the book *The Ecology of Law: Toward a Legal System in Tune with Nature and Community* by Fritjof Capra and Ugo Mattei.

Here a renowned scientist and an expert in comparative law bring their expertise together and trace the powerful connections between the emergence of the mechanistic paradigm of science and the reduction of positive law to exclusive property ownership. They argue that the legal systems put in place with the enclosures, slavery and the rise of economic theory destroy community and play directly into the hands of exploitation and the abuse of natural resources. Just as Bacon and Hobbes saw nature as nothing but a vast inert machine, so jurisprudence viewed the human person as an item of private property, able to be bought and sold just like any other commodity. This legal conception of human beings sprang from the notion that each person owns themselves, and extends ownership by applying labour to land. So jurisprudence ceased to protect the commons and to serve distributive justice and instead sought to found itself upon claims of exclusive ownership of property. In this way even the international company becomes a 'legal person' with exclusive rights to whatever it extends labour to.

Capra and Mattei argue that the modern legal system needs to be brought up to date with modern scientific theory that has long abandoned the mechanistic paradigm and replaced it with system theory where nature is understood as a vast complex of networks, in which all the parts work in harmony with the whole. Jurisprudence needs to restore the human person to the community and as a part of the ecosystem and inheritor of the commons. ■

## LAND USES AND WINDFALL GAINS

The supply of land is certainly fixed. The size of our planet has remained unchanged for billions of years. The movement of continents to their current position also required billions of years. Volcanic forces lifted deep sea beds above the surface of the ocean to create new islands. Changes in climate at times flooded dry land. At other times the seas retreated. This is the story of the natural forces of our planet at work.

Our species has endeavored from a very early period of our existence to understand and take advantage of the planet's natural forces. We did this by chance discovery and by experimentation (often by trial and error). We slowly and painstakingly became adept at tool making, using the tools we made to change in form what nature provided. We clothed and housed ourselves to protect us from the heat, the cold, the rain and the ice. Our technological advances resulted in ever-changing land uses, as we settled into permanent communities where specialization displaced self-sufficiency as the means of meeting our basic needs.

Settlement required rules for the allocation of space within the community. Each early stage of settlement likely allowed for a reasonable effort to achieve fairness, a balance between rights and responsibilities. Given enough time, however, and every settled group abandoned its equalitarian values. Hierarchy, power and privilege emerged as the basis for societal norms.

Think for a moment about the changes brought on by the introduction of gold as currency. Feudal knights returned from the crusades yearning for the exotic goods they found outside of their European manors. Merchants demanded hard money for their goods, and the interdependent relationships of the Feudal manors gave way to market economies. Feudal peasants were slowly forced from the land and migrated into the towns to work in the craft guilds. The commons were enclosed and gradually converted to the raising of sheep and cattle. Coal was discovered to be a useful fuel for factories, and industrial output skyrocketed over what had been possible with animal or water power. Cities grew as centers of production and commerce. Markets were linked together by the seas and other waterways, then by inland canals. Canals were abandoned with the arrival of the railroads. Railroads were overtaken by motor carriers able to pick up and deliver goods from producer to retailer or consumer. All of these technological innovations stimulated changing land uses - and shifting land values.

Technological advances have now brought us to the threshold of yet another major set of changing land uses and changing land values. However, from the perspective of those of us who call for the societal collection of the potential annual rental value of all locations and tracts of land, these changes will increase the number of people who - benefit by existing arrangements - will resist the urgent need for systemic change.

The move away from the use of fossil fuels is inevitable. Nuclear energy is proving to be a great threat to the planet's life support systems. Everywhere around the globe we see an expanded use of energy harnessed from the sun and winds. What is unique about these energy sources is the impact they have on land usage. Solar and wind farm technology turn marginal lands into hugely valuable locations. Land that for centuries has been farmed to produce crops can now yield rents paid by companies seeking to put up wind turbines or fields of solar panels. For many farmers this new source of income substantially reduces the financial risks associated with farming and the volatility of prices paid for their crops (perhaps justifying the removal of direct subsidies and tariffs on imported food crops). And yet, on principle, this rental income derived from the sun and the wind rightfully belongs to the community.

A similar public policy challenge is associated with the expanding use of solar panels on private homes and other buildings. Locations with the highest exposure to sunlight experience an increase in market value because of the potential to install solar panels and eliminate payments for electricity to a public utility. This increase in potential rental value should be captured by the community, should it not? At the same time, property owners should be encouraged to move to alternative, sustainable energy to provide electricity for their buildings. This is done in some countries by the use of tax credits to offset the cost of purchasing solar panels or constructing a wind turbine. Of course, such subsidies would be unnecessary if anything close to the rent of land was being collected and earned income was exempt from taxation. Cost is not the only consideration in the decision to leave the electrical grid, but when the financial advantages become significant more people will do so without government subsidies.

A more recent innovation in this market is the offer of companies to essentially lease the roofs of buildings from owners, install solar panels, and sell the property owners electricity to offset the leasing fee. Any electricity generated above this level the solar panel company can sell to the local utility. Now, in addition to providing shelter to a family or space to conduct a business, these locations make it possible to create a decentralized power generation system. The public policy issue (from the perspective of one who embraces Henry George's analysis) is how to determine the extent to which any increase in land value is dependent upon the property improvement (e.g., how the building is situated on the parcel of land, the slope of the roof) and the efficiency of the solar panels.

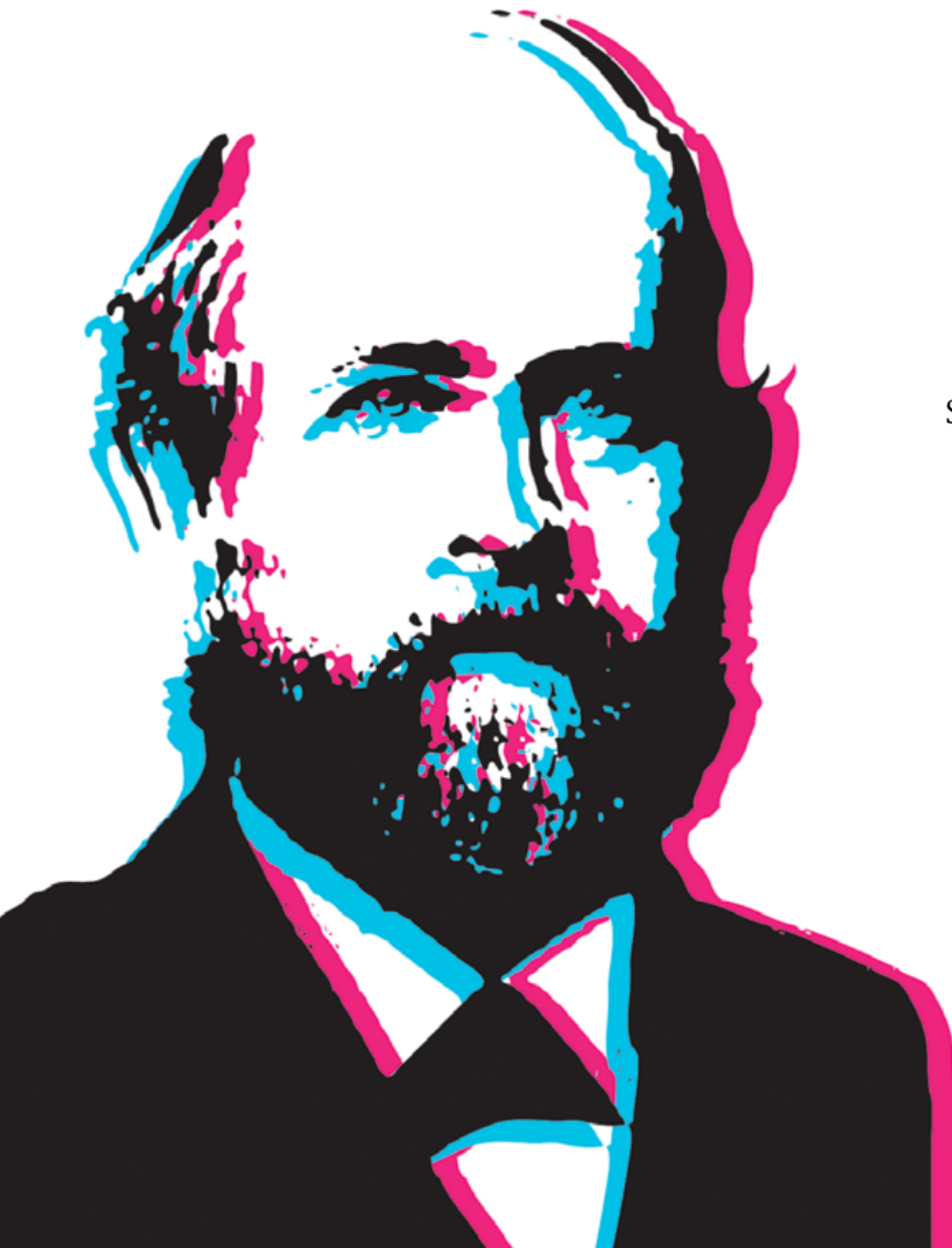
I wonder. Am I overthinking the situation? Is there a clear way to adjust the rental charge to the property owner? I would love to learn what others think about what to me is a rather complex set of changes in land use. ■



...WHOEVER HE MAY BE,  
AND WHEREVER HE MAY  
BE PLACED, THE MAN WHO  
THINKS BECOMES A LIGHT  
AND A POWER.

”

Henry George,  
Social Problems 1883



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# Our Philosophy



## What is Land & Liberty?

*Land&Liberty*, a quarterly magazine published by the Henry George Foundation, has chronicled world events for over 100 years. Dedicated to promoting economic justice along lines suggested by the American writer, social reformer and economist Henry George, it offers a unique perspective to stimulate debate on political economy with its reports, analysis and comment.

## Who was Henry George and what is special about his ideas?

In 1879 George published one of the best-selling books on political economy ever written, *'Progress and Poverty'*. By the twentieth century the wisdom he expounded was recognised and supported by many of the world's most respected thinkers including, Tolstoy, Einstein, Churchill, Keller, Shaw, Huxley, Woodrow Wilson, Stiglitz, and Friedman. Today, as the world faces environmental and economic crises, we believe George's philosophy is more relevant than ever. But, as George foresaw in *Progress and Poverty*, and is inscribed on his gravestone:

*"The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured."*

Today Henry George is mostly remembered for his recognition that the systems of taxation employed in his day, and which continue to dominate fiscal policy in the UK and throughout the world, are unjust, inefficient, and ineffective.

He saw how taxes discourage wealth creation, positive economic activity and employment and prevent people and nations from realising their full potential. By ignoring property rights they involve theft and encourage dishonesty and environmental abuse. In short, as a method of raising public revenue, they fail. By offering an alternative, George also showed that taxes are unnecessary.

George realised that some land at particular locations acquired a value that was not due to the actions of any individual or firm but was due to natural influences and the presence, protections and services provided by the whole community. He saw that this value grows as the need for public revenue grows and is sufficient to replace all existing taxes. This could be collected by levying a charge based on land values and is commonly referred to as land value tax or LVT. However, George was clear that this is not actually a tax but is a rental payment individuals and groups need to pay to receive exclusive use of something of value from the whole community, i.e. the exclusive possession of a common, limited and highly-valued natural resource.

Henry George's ideas were not limited to his proposal to change taxes. His

profound body of theory also included issues such as: the difficulties inherent in the study of political economy, the fundamentals of economic value, a proper basis for private and public property, trade, money, credit, banking and the management of monopolies.

Key to 'the truth' that Henry George tried to make clear is that every thing is bound to act in accordance with the laws of its own nature. He saw that these laws of nature operate everywhere, at all times, and throughout a creation that includes man and society and the worlds of body, mind and spirit. Further, that people and societies can only behave ethically and succeed in their own designs where they take proper cognisance of, and act in harmony with, those natural laws.

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