

LAND & LIBERTY

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Issue 1262 Spring 2024

A Footrace Against Inflation

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Duncan Pickard
*Reform
In Scotland*

Ω
Rosemary Attack
*The Nature
Of Inflation*

Ω
Christopher Glover
A Brexit Opportunity

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SCIENCE IS A WORD MUCH ABUSED
JUST NOW, WHEN ALL SORTS OF
PRETENDERS TO SPECIAL
KNOWLEDGE STYLE THEMSELVES
SCIENTIST...

(AS USUAL, THE END OF THE QUOTE TO BE FOUND ON PAGE 19)



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message from the honorary president

The passing of our dear friend Tommas Graves and his devotion to both the philosophy of Advaita and that which Henry George expounded inspired me to look again at the truth that is common to both.

In the Advaita tradition, that truth is expressed in Sanskrit as *Dharma* and in English as *Natural Law*: i.e. that which governs the natural world of physical phenomena, human action and thought. Hence, all things and events are part of an indivisible whole and behaviour in harmony with this unity is the key to the health, happiness, prosperity and realisation of Self in both individuals and every human society.

This truth is highlighted in the final chapter of George's opus magnum *Progress and Poverty* which begins:

My task is done. Yet the thought still mounts. The problems we have been considering lead into a problem higher and deeper still. Behind the problems of social life lies the problem of individual life. I have found it impossible to think of the one without thinking of the other...

The chapter continues with the passage quoted on George's 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. But it will find friends—those who will toil for it; suffer for it; if need be, die for it. This is the power of Truth.

In the previous chapter, *The Law of Human Progress* George describes how "social maladjustments which ignore natural laws" may be seen to account for the decay of past civilisations and now pose a threat to our own. Here, he also stresses how:

Liberty means Justice and Justice is the natural law... [Men] must have liberty to avail themselves of the opportunities and means of life; they must stand on equal terms with reference to the bounty of nature. Either this or Liberty withdraws her light! Either this or darkness comes on, and the very forces that progress has evolved turn to powers that work destruction. This is the universal law. This is the lesson of the centuries. Unless its foundations be laid in justice the social structure cannot stand.

Here, I think we may see, how whilst the immediate aim of George's work might have been the uplifting of society, the ultimate effect of adopting the remedy he proposed, would be to help individuals to more fully realise their own true Self.

This thought is reinforced when I consider the beginning of George's final work *The Science of Political Economy* where he identifies "that which feels, perceives, thinks wills; (and) which to distinguish, (from matter and energy) we call mind, soul or spirit" as the *primary factor in the world as we know it*. He says this is because; while in *thought* we are compelled to distinguish spirit, matter and energy as independent and separable elements:

It may be that at bottom they are one, for it is mind, soul or spirit which is first in our own consciousness, and it is only through this that we have consciousness of any other existence. In this, as our own consciousness testifies, is the initiative of all our own motions and movements so far as consciousness and memory shed light; in all cases in which we can trace the genesis of anything to its beginning we find that beginning in thought and will. So clear, so indisputable is the priority of this spiritual element that wherever and whenever men have sought to account for the origin of the world they have always been driven to assume a great spirit or God. For though there be atheistic theories, they always avoid the question of origin, and assume the world always to have been.

David Triggs
Honorary President
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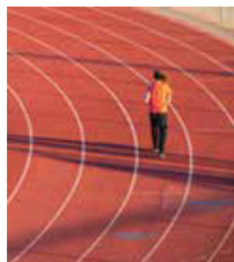
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The Nature Of Inflation

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letter from the editor

So much concern has been given to individual rights over that last two hundred years that communal duties have been practically forgotten. Yet rights are dependent upon our duties being performed. A most obvious example is the duty of parents in raising their children, a duty performed even among animals. Duties in this sense are part of natural law as traditionally understood. Natural law, like positive law, is prescriptive and ethical, as distinct from the descriptive laws of the natural sciences.

The modern insistence on individual rights has also confused the question of the commons. While it is self-evident that all have a natural right to the earth and the gifts of nature, simply because they are gifts, this right can be secured only through the recognition of a natural duty of care for society, and implicitly for nature. It cannot be established simply through claiming individual rights.

The law of rent expresses a shared advantage of the community, and so taxation of land values is the most just way to fund the responsibilities of government. It embodies a natural duty towards the well-being of society. Hence economic rent should never be privately appropriated.

The economic law of rent therefore expresses both a 'law of nature' in the descriptive sense, and a 'natural law' in the prescriptive ethical sense. It prescribes what is to be collected in common as well as what is to be served in common. Descriptively it distinguishes between the individual and the community, while prescriptively it expresses the obligations of each towards the community, especially provision for the long-term future. In this way the natural law relates the individual to humanity as a whole, and humanity to nature as a whole, through a series of natural rights, moral duties and social obligations. However, these moral duties and social obligations cannot be reduced to economic factors alone. Rather, economic factors are founded in moral duties and obligations. Economics is not a purely analytical science. It is first a moral science.

It is a great misfortune that with the rise of modern industry the natural law tradition was generally forgotten, dramatically symbolised by the enclosures and the building of city slums. What is easily overlooked with the enclosures, however, is that the common duty of care for the land was also forgotten. The earlier smallholder and the family farm had naturally cared for the land, keeping it fertile for the present and fit to pass on to future generations. There would seem to be a natural scale to responsible individual land ownership, beyond which exploitation begins, a principle expressed in distributism. The enclosures relinquished this natural care for the land and exploited it beyond its natural capacity. The city slums that arose from the enclosures were also an abuse of the land itself, not only of tenants.

It is this neglect and abuse of the land itself that now manifests in environmental spoliation and climate change. This again demonstrates an interdependence between the laws of nature and the natural law, between the natural order of things and human ethics.

Two hundred years of neglect and abuse of the land and the maldistribution of its gifts have brought modern society up against a law of nature it is ill-equipped to respond to. And it is partly the narrow concern for individual rights that has contributed to forgetting our common duties towards the land. And it is this disregard of our responsibilities towards the land that has deprived so many of their natural right to its common benefits.

In this process natural rights have gradually been superseded by individual rights. While natural rights are simply given in the order of things, such as the right to self-preservation and access to the gifts of nature, individual rights are claims made upon society, not nature.

Natural rights put no obligations on others, while individual rights generally put demands upon others and the state. Natural rights are part of natural law, while individual rights are part of transient statute law. Natural rights are universal and unchanging, while individual rights belong only to a particular historical epoch.

The natural law, from which natural rights arise, prescribes a communal responsibility towards the future. This same law operates in the ecosystem through the inherent intelligence of nature, while in society it operates through human reason, foresight and prudence. The growing concern to take responsibility for the environment for the sake of the biosphere and future generations springs from a recognition of natural law. It recognises an obvious duty of care that falls on the present generation. It draws together social, economic and ecological justice. It also makes clear that a primary duty of government is the preservation of the earth for future generations. Here is where natural law and statute law ought to converge. If government permits the spoliation of the land through unjust exploitation, then it fails in a primary responsibility.

The modern preoccupation with individual rights has tended to obscure these natural obligations and duties. It fosters the illusion that unfettered economic freedom will inevitably produce equity, while in fact it is only equity that can establish freedom. The contemporary liberal notion of freedom, as freedom from restraint, has no positive content. It brings individual rights into conflict with each other. True freedom is *freedom towards* mutually beneficial ends. It is purposeful and grounded in shared social and economic responsibilities. Freedom in this positive sense is the freedom that belongs to natural law. It is the responsible freedom that democracy necessarily presupposes if it is to work justly and for the common good.

It is the general disregard for natural law that enables transnational corporations to evade national laws and to ignore their responsibilities for employees and the environment. Ironically, it is the claim to individual rights that supports the belief that industries exist first for profit and only secondarily for the benefit of society. Even the pharmaceutical industry regards public health a secondary concern. It is an odd inversion of values in the proper use of nature's gifts. The preoccupation with individual rights and freedoms has inadvertently facilitated the abuse of the land and the exploitation of labour. It has legitimised a society in which self-interest takes precedence over the common good and responsibly towards the future. Economically speaking, all these consequences are implicit in the law of rent which draws a threefold distinction between (a) the gifts of nature, (b) what properly belongs to the individual, (c) and what is owed to society.

It has long been known that the private appropriation of the economic rent introduces distortions into the economy and injustices into society. Yet climate change now demonstrates with further clarity that it is the abuse of the land itself that underlies our current economic ills and injustices. Disrespect for the earth inescapably disrespects humankind. The natural law says "since the law is chiefly ordained to the common good, any other precept in regard to some individual work, must needs be devoid of the nature of a law, save in so far as it regards the common good." In environmental terms this means "care for the earth and the earth will care for all." This is the first and most ancient principle of economics upon which all natural rights and freedoms depend.



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REFORM IN SCOTLAND

Almost all discussions on farming have emphasised the importance of subsidy income support. A typical example was from the chief strategy officer of the Agriculture and Horticulture Development Board (AHDB) who said that subsidy income accounted for 80% of farm income in Scotland. This estimate must have been based on the officially produced, average Net Farm Income (NFI) or the average Farm Business Income (FBI) which are not the same as the real average income of farmers. Those who use average NFI or FBI should find out how they are calculated. When I questioned the civil servant responsible for the publication of NFI for Scotland he said that it should be "viewed as an economic measure rather than a wage and, as such, could be used to observe trends over years and between countries". When I calculate the NFI for our farm it is considerably lower than our taxable profit. We do not depend on subsidy income support. Many more farmers in Scotland are in the same position as we are. When producing a forward strategy for farming, policy makers should not use artificial 'economic measures' of farm incomes instead of real incomes. Some of those who have become dependent on subsidies did so because they chose to. Why work seven days a week when you can live comfortably on subsidy income and only work four or five days?

There is a large difference between farm businesses in their productivity and profitability. The top 25% are consistently profitable and more productive than the rest; if the others could match the top 25%, many more could manage without subsidies. Too many have no incentive to do better because they have the subsidy comfort cushion to rely on. Much more food could be produced in the UK but will not be while subsidies allow farmers to be paid when using their land below its optimum capacity. Some need their subsidy income to pay for additional land bought at excessively high prices. Subsidies have allowed farmers to become inefficient and others to try to achieve economies of scale which do not exist. Subsidies should be seen for what they mostly are: non-means tested income support for wealthy land owners. The average net worth of farm businesses in Scotland is about £1m. It is unfair to give them income support. The latest figures from the Rural Payments and Inspections Directorate show that, of the total subsidy money disbursed, 69% went to 20% of those who submitted claims.

Subsidies are responsible for some of the rise in land prices which have made it almost impossible for young people to make a start in farming. The report from the Royal Bank of Scotland "Harvesting the Future for Young Farmers" identified high land prices as the main barrier to entry, but it did not attempt to explain why land prices are so high. The Government's perverse tax policy, which favours land ownership with tax breaks and penalises work and trade with high rates of tax, is a major factor.

When comparisons are made with New Zealand's farmers, who do not receive subsidy income support, many reasons for their success are given but the most relevant is that they have lower costs of production and that is where farmers should be looking instead of seeking ever increasing produce prices to cover our high costs. We will have to adapt to reduced subsidies but so will farmers in the rest of Europe; the present level of spending on subsidies is not affordable. Brexit gives us the chance to get rid of a lot of costly unnecessary regulations and record keeping put in place when we had to comply with the Common Agricultural Policy, (CAP) but little progress has been made so far.

I am not alone in believing that the CAP has never been appropriate for the UK. Jonnie Hall, the director of policy of the National Farmers Union of Scotland said, "We have lived for 46 years under the CAP and how many favours has it done for Scottish agriculture? CAP has stifled development and innovation, blocked new entrants and inflated land prices. There is so much scope for improvement if we are given the right tools".

We could also radically reform our outdated, complicated and disincentive tax system. Earned incomes should be relieved from taxes and the necessary revenue collected instead from the unearned increases in the rental value of land, both urban and rural. This is known as Land Value Tax (LVT) or Annual Ground Rent, (AGR). Abolition of VAT, the EU's most favoured tax, and Income Taxes would promote employment and trade so that consumers could afford to buy what we produce.

I am often asked why, as a landowning farmer, I am in favour of replacing existing taxes with an annual charge on the rental value of our land? The charge on land (AGR/ LVT) will be based on its productive capacity which means that those who farm in more remote and less fertile areas will pay less per acre. About ninety percent of the land area is rural but its rental value is only about ten percent of the total, conversely, ten percent of the land is urban but its rental value is ninety percent of the total. This means that the owners of urban land will pay most of the AGR. The market price of the land we farm will fall when speculative investors are unable to profit from simply owning land. Its current high price is of no advantage to us because we do not want to sell. I cannot say how much AGR/LVT we would pay but it would be closely linked to our ability to pay. Under the present tax system we have to pay wages related to our employees' skills irrespective of the farm's profitability. Compare that with rent: when we negotiate rent with a land owner, the amount we bid is based on the profitability of the animals and crops we plan to produce. Following the introduction of AGR/LVT the owners of large areas of rural land will also benefit from the removal of employment taxes they pay for their staff. Those farming more productive land will, instead of trying to maximise the area of land they farm, try to optimise the output per unit area to maximise their profits. Land which is remote from farm steadings is usually less profitable because of the increased costs in time and transport needed to care for animals or cultivate crops. Some will find that they are more profitable by reducing the area they farm and this will increase the availability of land for newcomers to start farming or provide suitable habitats for wildlife.

The removal of Income Taxes and VAT will allow more young people to be gainfully employed on farms, even in remote areas and this will reverse the trend towards rural depopulation. Community buyouts of land in the highlands and islands of Scotland have improved the standard of living but young people are still unable to remain there. Employment taxes and VAT are often the difference between a business being financially viable or failing and it is wrong that the same rates of tax are charged in these places as in more advantageous ones. The total amount of AGR potentially available for collection is sufficient to fund all the necessary functions of government and could provide for improvements in education, healthcare and welfare because it has no inhibitory effects on employment and trade: it stimulates them by optimising the use of land to increase the production of wealth. ■

A BREXIT OPPORTUNITY

INTRODUCTION

With Brexit finally done and Britain - in theory at least - now back in control what advantage has the government taken of its new found freedom to shape our future for the better? Specifically, what measures are planned to alleviate the cost of living crisis and make house prices affordable again? Nothing is in sight.

Yet two simple, easily implemented measures are available to a government willing to think outside the box.

The first is the abolition of VAT and its replacement with the old purchase tax. The second is the re-introduction of Schedule A income tax on property.

These two measures should have a marked beneficial effect on the economy. First, the abolition of VAT, the standard rate of which is 20%, will cut the cost of living significantly. As essential items loom larger in the budgets of the less well off, this measure should benefit them disproportionately. The consequent one-off reduction in the cost of living would ease inflationary pressures appreciably.



*Christopher Glover is director of an accountancy company.
He is a lifelong supporter of Henry George*

Second, the re-introduction of Schedule A tax - this time based on the site and not the building - should improve housing supply as second homes come up for sale and empty properties are either sold or rented out. By directly targeting site values, which are the source of capital gains, it would signal an eventual end to the era of unfair and unearned tax-free profit from sitting on residential property. The need for the socially divisive "Bank of Mum and Dad" could eventually disappear, leaving demand a function of the basic need for suitable accommodation.

VAT was introduced in 1971 in preparation for our joining the Common Market: purchase tax was phased out shortly thereafter. VAT was highly controversial and entailed a massive increase in Revenue personnel and imposed considerable administrative costs on businesses. Its abolition now would lead to big savings in the costs of business as well as releasing an army of Revenue employees for other duties, e.g., chasing fraudsters and tax dodgers. Vastly more important, however, would be the effect on the purchasing power of the poor, needy and less well off - sections of the community where the cost of basic essentials looms very large.



As for purchase tax, this was levied on the wholesale value of luxury goods. Initially set at 33.3% it was increased to 66% for some items. Reinstating this tax would enable the government to discourage undesirable consumption, e.g., over-sized cars with high fuel consumption. Its yield is potentially considerable and it would help defray the loss of revenue from the abolition of VAT.

WHAT IS SCHEDULE A INCOME TAX?

Schedule A income tax is probably unknown to most people. Their experience is of Schedule E (wages, salaries and pensions) or Schedule D (self-employed earnings). Yet Schedule A income tax used to feature regularly on the tax returns of owner occupiers. They were treated as having an income equivalent to the rent their property would command. Various deductions were allowed, e.g., repairs, insurance etc., the net amount being regarded as taxable income. This form of Schedule A tax ceased to be applicable to individuals in the 1960s but Schedule A remains applicable to companies.

The Schedule A tax here proposed would differ from the former tax in important respects. First, it would not be confined to the owner occupier but would apply to all owners of residential property whether owner-occupied, rented or empty. Second, the tax would be payable only on that part of the annual rent attributable to the site; the building element would not be taxed. Thus improving one's property would not affect the Schedule A tax payable.

It is easy to assess the annual rent of a property; most people would have a good idea of it anyway. But it is not obvious how to assess that part of the rent attributable to the site. However, simple calculation can indicate a minimum figure. Assume a house worth £500,000 which is insured for £300,000, being the rebuild cost. That rebuild cost is the maximum value attributable to the building. Deducting this from the total property value gives the minimum value attributable to the site. Thus the minimum site value in this case would be £200,000.

If on the open market the property would rent for £20,000 a year; the amount attributable to the site, 40%, would be £8,000. The income tax payable on this notional income would depend on the taxpayer's other income. For a well-off person the applicable tax rate could well be 40%--even more. For some individuals it could be less, even nothing.

Schedule A tax would be payable by the owner not the renter. But would not the owner merely put up the rent to recoup the tax? Possibly, but the scope for this is very limited. The rent of a property is determined by the most people can pay. That won't change with the introduction of Schedule A tax. If the landlord (owner) decides to take the property off the market he still has to pay the tax. As he would thereby lose both his rent and the tax, he is not likely to do this.

How would Schedule A income tax alleviate the housing crisis? First, people would find it significantly more expensive to have second homes. In some parts of the country (Cornwall is a notable example) wealthy outsiders have driven up the cost of homes to a point where local people cannot afford a house. This tax would help bring these second homes onto the market. Second, there are many empty properties around the country - an estimated one million in fact. This tax would make it costly to keep such properties out of use. Third, people who occupy a property much bigger than they need could save tax by moving to a smaller property. So Schedule A tax would encourage people to downsize where appropriate.

House prices rise because the site value rises: the building itself deteriorates in value (in real terms) and is a maintenance liability. By taxing the site value a significant restraining influence is exercised over the rise in house prices. The attractiveness of residential property as an investment will take a knock. There will be less urgency to "get on the ladder." This will make residential property less attractive as an investment allowing basic demand, i.e., the need for suitable living accommodation, to come to the fore.

Schedule A tax would also help redress the North South divide. The government's Levelling Up programme is based on the mistaken belief that people in the South work harder and are more productive than in the North. But the real reason for the divide is that people in the South have the advantage of location, i.e., proximity to markets, the press of population, better infrastructure (roads, railways and airports). The newspaper vendor standing outside Bank Station in the heart of the City will sell vastly more newspapers than one positioned at, say, Maidenhead Station. Both bring the same skill and aptitude to the job but one earns vastly more. Why? Because of location. The Schedule A tax takes this into account. Realistically, the South will still look more attractive vis-a-vis the North but noticeably less so.



THE EFFECT ON THE TREASURY BALANCE

How would these proposals affect the public purse? In 2022/23 VAT amounted to £160bn - 16% of total taxes. Its abolition would leave a gaping hole in public finances. In the 1960s purchase tax accounted for around around 8% of total tax revenue. Assuming the same proportion, purchase tax could well yield some £80bn, i.e., half the shortfall. The likely yield of the new Schedule A tax is difficult to estimate. However, assuming an average house price of £250,000, the current total of 28.2 million households, and the same annual rental and site value coefficient as in the example the yield could well be in the region of £45bn.

This would still leave a significant shortfall of £35bn. It would then be for the authorities to decide what other taxes to raise. However, the spirit of these proposals would suggest funding the deficit by increasing inheritance tax and removing the capital gains tax exemption from any future rise in the value of owner occupied properties.

CONCLUSION

These two measures would entail a significant shift in the tax burden from the poor and needy to the well-off. Their effect on house prices, second homes and capital gains tax-exemption will not be welcome. So they will be politically difficult. It will require a lot of persuasion to gain acceptance for them. However, a decent standard of living and acceptable accommodation are fundamental requirements of a civilised society.

The continuing failure of society to meet these needs is a scandal and could eventually lead to social unrest. The time for tinkering with these problems is fast running out: radical solutions are called for. ■



Rosemary Attack is a retired legal secretary with a BA (Hons) degree in economic history. She is author of John Clare: Voice of Freedom

THE NATURE OF INFLATION

INTRODUCTION

Everyman's Dictionary of Economics (pub. J. M. Dent & Sons Ltd. 1975) p.185 defines inflation as 'a fall in the value of money due to a persistent expansion in its quantity. When total monetary demand exceeds the value of goods and services currently available for sale.' *The Oxford English Dictionary* defines inflation as 'Econ: general increase in prices and fall in the purchasing value of money b. an increase in available currency regarded as causing this.' Or, more briefly in other words, that well-worn definition with which most of us are familiar, 'too much money chasing too few goods'. We have then to decide why this is so and what makes it undesirable.

If money's intrinsic use is as a convenient means of exchange, how is its value measured? Implied is that it accurately reflects the value of production. If it does not no one is going to receive the full value of his or her production in exchange for it. Whose responsibility is it to maintain the integrity and value of this universal means of exchange? Historically it has been, and still is, the government's responsibility to maintain the value of the currency and its measure of the country's wealth. Any devaluation of the currency so that it no longer accurately reflects production is regarded as inflation.

There is an understanding that the government is responsible for the natural equilibrium of the amount of money in circulation and its relationship to and reflection of total production. If indeed the monetary unit is a stable measure of total production which is what it should be by its nature, this includes material goods of all sorts, including intellectual commodities such as new inventions for instance and all other 'invisible' services such as banking, insurance, legal, educational and medical services.

All these constitute the wealth of any nation and the cost of each individual good or service is decided in the market place by the natural means of the supply of all of these and the demand for them. This is established by the maintenance of their natural value being represented by a steady state of the monetary unit which is the prerogative and responsibility of the government. If not, who else, or what other agency should have this responsibility? This 'steady state' is also to include of course the natural fluctuations of supply and demand of everything in the market.

So, any devaluation of the monetary unit, as anyone who shops for anything will know, will mean more has to be paid for the purchase of any item. This is inflation caused by the monetary unit losing its true function as the measure of any part or item of production. Price fluctuations may also of course be due to the natural rise and fall in the supply and demand of any item of production, material or intellectual. Supply and demand must continually fluctuate simply as a result of less or more production and less or more purchases for whatever cause and this, the main market in everything, will of course affect market prices.

So, how is the currency devalued? If it is the responsibility of government to maintain its value, does it follow that only government can effect any devaluation? In so far as government is responsible for printing money this would appear to be so. But there are rogue producers of money which might adversely affect it.

BAD MONEY

Henry VIII had a unique way of devaluing the currency by arranging to have the coinage shaved when gold was the legal

cover story

currency and gold had its intrinsic value. He had the shavings melted down and made new money this way. Supposedly the Royal Mint did this for him. This would be 'bad money' and would mean all citizens had to pay more for all goods and services because the natural relationship between the currency and production had been interfered with.

So how else is bad money created?

For instance, if government issues more money than the delicate balance of the market requires. Government itself begins to use money as a commodity by issuing bonds, loans or any other instrument which pays interest. *The Everyman's Dictionary of Economics* gives the definition of this word 'interest' as 'the price paid for loanable funds'. However grand this sounds, this is treating the all important means of exchange, money, as a commodity. But it is nevertheless a way of devaluing it and reducing what can be bought with it. To keep this equilibrium, production will have to keep up with every devaluation.

This action by government opens the floodgates for banks, investors and lenders of all sorts to offer loans and to create their own interest rate for the service. This is perceived by most of society as a perfectly legal and moral business. What is not appreciated is that interest for whatever function (and the rate can vary as much as the lending market allows) at the same time is a devaluation of the currency and, it is suggested, the most pernicious and damaging practice by which any community suffers. It is an instrument only to the advantage of the lender and not borrowers. The only control available is the ebb and flow of the interest market itself, i.e., the competition between lenders. The rate has been very low for some years, presumably it is perceived by the interest-imposing market as due to the natural supply and demand for its provision. This is not to say however that money itself cannot be used as a commodity. Clearly, it can, but it seems to mean benefiting a small part of the community at the cost of the natural rewards of the bulk of the community.

Unfortunately if a very gentle rise in the devaluation of the currency is accepted as the norm, it implies that inflation is a natural and legal process. It is also a way of hiding a gentle or violent rise in the devaluation of the currency.

TAXATION AND INFLATION

Taxation, another tool and responsibility of government, may also encourage or discourage any kind of production. For instance, taxation on employment (NHI and income tax) discourage those two factors, i.e., employment and income. Any tax on production either directly or indirectly such as VAT actively discourages production. So, do not all taxes have

this deleterious effect? Such taxes can be lifted or abolished of course but how else is necessary revenue for defence, peacekeeping and essential social services to be raised?

What then is the remedy for inflation if it is completely out of control? Suggested is that governments should stimulate all round production in any legal way at its disposal. This will enable the difference between the value of all new production to gradually catch up with the value of the inflated currency unit. Is there a tax/revenue which encourages production, or at least does not discourage it? Can there be any good reason why production should not be encouraged?

Is it clear then that the creation of inflation in a community is not the same as a rise or fall in the price of anything, either of which may be due to a rise or fall in production or concomitant changes in the demand for any commodity or service. It is not therefore caused either by a rise in wages which will reflect a healthy growing market. The market in wages is a natural response to the demand or lack of it for any of the goods or services available in any society. Whilst both inflation and the natural performance of the market in all infrastructural and goods and services in the community affects prices, the causes of the rise and fall in the goods and services market is different from any rises in price caused by devaluation of the currency.

Unfortunately the man in the street cannot appreciate two different reasons for the increase in prices. And how could he, since it is so unacknowledged and well hidden. One is natural, the ebb and flow of the market in all goods and services, and the other imposed by the adulteration and manipulation of the value of the monetary unit by governments, the interest market and negative effects of taxation. If we acknowledge that all the aforementioned goods and services are the most important thing to mankind, a shortage should be addressed by any government into introducing as many incentives it can to promote economic recovery or, in the case of services, such as water, an adequate flow.

If production can be encouraged or discouraged by government monetary and fiscal policies, it is surely incumbent upon government to identify and apply those policies best suited to such growth.

One of these would be to legislate for a living wage for all those not in receipt of such a wage already. Adequate wages are not only the natural outcome of production but they encourage production because people spend them. In particular adequate reward for any work is lawful but it keeps most people happy as well as productive. Well paid people are happy people and happy to work. Most people like being independent and able to pay their way and this is surely the natural order of any



human community. Adequate wages which enable everyone to pay for all their certainly essential goods and services is not a bonus from some to others, but a natural recompense for every person's work.

So that all may realise their own abilities and naturally make a useful contribution to the whole wealth of society, a standard of education which fits everyone for some sort of employment seems to be very necessary for a naturally well-functioning society. If education is inadequate poverty, illness and crime is encouraged and most people become dependent on the rest of society for their existence. This is - of course - a most unhealthy condition for all individuals as well as the whole community.

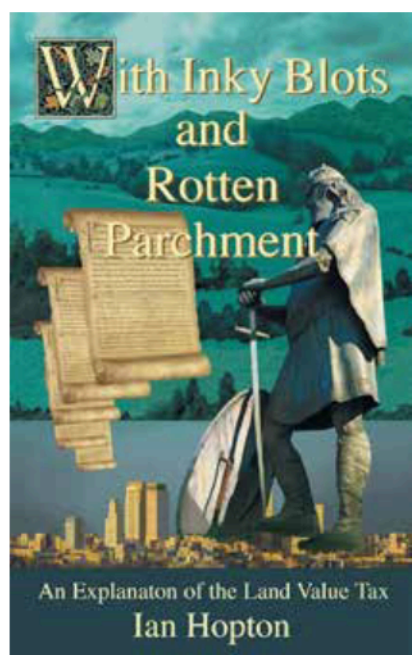
Unemployment is also a drag on any society which wants to be prosperous. Any snobbish ideas about the inferiority of any section of the community are damaging and due to a misunderstanding of the causes of poverty. A good education system is paramount and benefits everyone.

A MONETARY PHENOMENON?

Inflation has been described elsewhere as 'a monetary phenomenon' and by implication there is an opinion that such a phenomenon can only be dealt with by monetary or fiscal means. Initiation and creation of inflation is at government level and there is a general lack of acceptance that this is so. If inflation is caused by too much money chasing insufficient production, it follows that as well as stimulation of production the exactly correct fiscal remedies need to be carefully scrutinised to effect a return to the natural equilibrium which exists between the organically healthy balance where the amount of money in circulation accurately represents the value and quantity of production. The natural flow of production might therefore be free to function without any stay on its progress. A natural rate of wages would also be another effect and those with such a wage would be able to look after their own living expenses without the need for any assistance or subsidisation from government.

CONCLUSION

Since there is no money without production it behoves government to carefully stimulate production in all fields either by not using money as a commodity and making more money out of it, or by carefully considered taxation. However, the main purpose of this piece is to highlight the difference between inflation which is caused by devaluing the currency by using it as a commodity - and the fluctuation of prices caused solely by the natural ebb and flow of the market for all goods, material and otherwise. Both of these activities can and do combine to affect prices and get erroneously called 'inflation' by the media. [▶](#)



**WITH INKY BLOTS AND ROTTEN PARCHMENT:
AN EXPLANATION OF THE LAND VALUE TAX
BY IAN HOPTON**

Reviewed by Edward J. Dodson

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ISBN: 9781839758249

The sad truth is that few people around the globe have ever heard of or read about one of the most potentially significant reforms in how governments raise revenue needed to pay for public goods and services. Ian Hopton has chosen to write yet one more book on the subject in such a way that those with inquiring minds will be rewarded by the effort. The ground he covers is extensive and the story filled with challenging analysis. He begins by confirming what his readers already know. Every society requires revenue with which to pay for the public goods and services we agree are needed. Much of this revenue is raised by imposing taxes on ourselves, on our assets, on some of our behaviours and on our commerce. But not all:

There are ways other than through taxation by which governments may raise revenue, for instance through borrowing or simply printing money, but these are secondary methods which are resorted to mainly in times of emergency.

One could easily counter that we seem to have entered a period of continuous and worsening emergencies, while at the same time encountering a growing and very organised resistance to any further taxation. In this political environment, a major challenge is convincing people that one source of public revenue (i.e., the potential annual rental value of locations and other natural assets) is undertaxed. As the reader learns, this is commonly referred to as “the land value tax” alternative.

To generate support for the land value tax proposal, Hopton does his best to explain to readers that even less optimal sources of public revenue have served good purposes. However, some forms of taxation are much less good than others. And, some types of

taxation are counterproductive. This is where the taxation of land values comes in because such a tax is inherently a ‘beneficial tax’ as well as ‘a fair tax’. One can say, in fact, that the payment is in return for benefits received and is not a tax at all. We all enjoy access to the public goods and services provided by our communities. As Hopton explains, the extent to which we value these public goods and services is reflected in the price commanded for different locations:

With the growth of a community the value of any site will increase due to the surrounding communal activity or community-funded infrastructure that has the effect of enhancing the value of the site.

The problem with most conventional forms of taxation is one of an unearned windfall on those who happen to hold title to locations experiencing rising demand and, therefore, rising value:

This increased value falls fortuitously to the benefit of the owner and may be realised in the form of increased rents or capital value at any point of sale. The revenue thus derived is not due to any work done by the owner, and is clearly unearned.

Ian Hopton wants his readers to understand that for centuries they have been held hostage by landowners and land speculators who dominate what he refers to as “the rentier system” that exists to this day. This system, put into place many centuries ago, was consistently condemned by history’s most enlightened thinkers, going back to Adam Smith and even earlier.

Necessarily so, Hopton is a patient teacher. He anticipates potential areas of confusion and makes a good effort to answer questions before they might come into the reader’s mind. In the process, what is taught are the laws of production and distribution essential to an understanding of political economy and human behaviour. Rather than take the time in the text to provide readers with definitions of technical terms, he provides a chapter at the end for this purpose. This works fine for readers who have studied political economy from other sources. For others, I would recommend reading the chapter on definitions after reading the introduction.

The most challenging part of the book comes early in his presentation of how every location in a community comes to have a rental value and how this rental value increases over time with the growth in population. Hopton’s text is supported by detailed graphic illustrations. I urge readers new to this analysis to read closely his explanation of how speculation in land distorts the efficient settlement of land and subsequent economic production.

Almost all of what is in this book is available elsewhere. Importantly, he has included a section on resource rents, a subject with its own peculiarities to those of urban locations or even that of tracts of agricultural land:

Rural land may have value already due to natural circumstances, and thus may be increased through directly applied work. The three dimensional resources of coal, oil, fish etc. are tangible physical resources that require work to convert them into useable wealth.

He has brought the story up to date and offered a cogent and persuasive case for land value taxation as a viable and necessary change in the source of public revenue. And, he has achieved this in less than 150 pages. As a primer on the subject the book succeeds and will hopefully attract readers who have to this point developed no interest in the subject. ■

BOOKS WORTH READING

- by Joseph Milne

For those interested in the earlier development of economic thought, *Civil Economy: Efficiency, Equity, Public Happiness* by Luigino Bruni and Stefano Zamagni is an outstanding contribution. It traces the beginning of economic enquiry to the medieval monasticism. It was the Benedictine abbeys that developed a 'civil economy' in which the exchange and use of goods was for mutual benefit rather than the profit of the private individual. The economy was embedded in an ethical humanism guided by equity. Wealth as such was not disparaged but avarice was since it led to the improper use of wealth. All wealth is regarded in a certain sense as common property, not in terms of ownership but in terms of its common benefits. There is a natural limit on wealth and where it goes beyond subsistence problems arise.

By the twelfth century a distinct market economy arose along with a new merchant class. This changed the conception of the proper end of the economy, where profit in exchange began to replace equitable use in exchange. The jurists of the Bologna School responded by proposing a restoration of Roman Law to provide a civil basis for regulating the economic activity for social benefit. Through the restoration of Roman Law and Christian humanism the economy continued to function on the original basis of friendship and community where gift and reciprocity played a major part in the social structure. Part of merchant responsibility was provision for the poor through donation to religious and other aid institutions. It was in order that the economy served the common good that the prohibition against usury was enforced and the economic concept of 'just price' was introduced. The concept of just price simply means that any exchange should be equally beneficial to both parties.

The book traces these developments, especially in Italy, up to the eighteenth century to their eventual overturn in the nineteenth century when the market economy became independent of social commitments and the common good. The book then asks what we may learn from the earlier more equitable economy developed through monasticism and how equity might be restored in modern society. Perhaps one of the books greatest contributions to our understanding of economics is how the economy did not gradually develop from primitive individuals claiming a portion of land as the standard nineteenth century text books claimed, but rather from the Christian sense of community and especially a concern for the poor which had been an essential Christian value from the early Church.

The later chapters of the book seek to throw light on how the civil economy may be restored, and the happiness and well-being of society be re-established as its proper ends through the principle of subsidiarity and the smaller self-sufficient communities. Questions are also explored about the role of government in the economy and the important question of sustainability. 📖



HGF BRIEFING NOTES

FRIDAY MEETINGS

With Spring time finally arriving on the shores of Great Britain the weekly Friday Study Groups continue at their regular pace. As per usual the meetings are to be joined digitally via the ever-present Zoom platform.

The Afternoon Study Group with its regular timeslot from 2:30 P.M. to 4:00 P.M. is led by Bart Dunlea.

The current focus of the Afternoon Study Group is the very last book written by Henry George, *The Science of Political Economy*. George died in 1897 and the book was finished by George's son.

Go to: <https://us02web.zoom.us/j/83880666680>

Meeting ID: 838 8066 6680
Passcode: 544247

The Evening Study Group has also kept its regular timeslot from 6:45 P.M. to 8:15 P.M. These evening sessions are led by David Triggs.

On Friday evenings David Triggs and his study group members have been exploring, what a Georgist response to the economic problems and opportunities that are, and will accompany the wider use of Artificial Intelligence in the production of wealth and delivery of services.

The implications of this technology are likely to be enormous and take place in a very short time compared with say the agricultural or industrial revolutions. They include the hazards of massive unemployment and underemployment as well whether what people do all day, in place of productive employment, is beneficial or harmful. The book used so far, that gives a good insight into both the history of previous 'Transitions' and which is currently underway, is *Transition Point - From Steam to Singularity* by Sean A. Culey.

Go to: <https://us02web.zoom.us/j/87944408537>

Meeting ID: 879 4440 8537
Passcode: 603155 📖

TRIBUTE TO TOMMAS GRAVES

Tommas Graves passed away on the 14th of November 2023. He had been suffering from cancer for some time but bravely continued working as long as he could.

He worked for the Henry George Foundation for many years and checked our accounts each year. But he will be known to *Land&Liberty* readers for his many carefully crafted contributions demonstrating the social advantages of implementing a land value tax. There were often in a *Closing Thoughts* column, where they always rounded off an issue beautifully.

As well as frequently contributing to *Land&Liberty*, Tommas led the HGF Friday afternoon seminars each week during term time reading through and discussing the works of Henry George.

Tommas also hosted the website '*Land is Free*' at www.landisfree.co.uk for many years which has many excellent articles by different contributors, and quite a few of his own.

The merit of the website is that it gives clear and succinct arguments for the implementation of the tax on land values and for the general benefits to society as a whole. The basic premise is that land is given by nature freely for all and that the private monopoly of land distorts the economy and. More than any other factor, leads to the division between rich and poor:

Tommas was inspired by the simple truth that there is no need for poverty in modern society and that it arises primarily from claims to private ownership and monopoly of nature's gifts which cannot be supported by the natural laws of economics. Poverty is the consequence of unsound economic theory.

Tommas's contributions to the Henry George Foundation and to *Land&Liberty* will be greatly missed. We pay tribute to his clarity, insight and generosity over the years. 🇬🇧

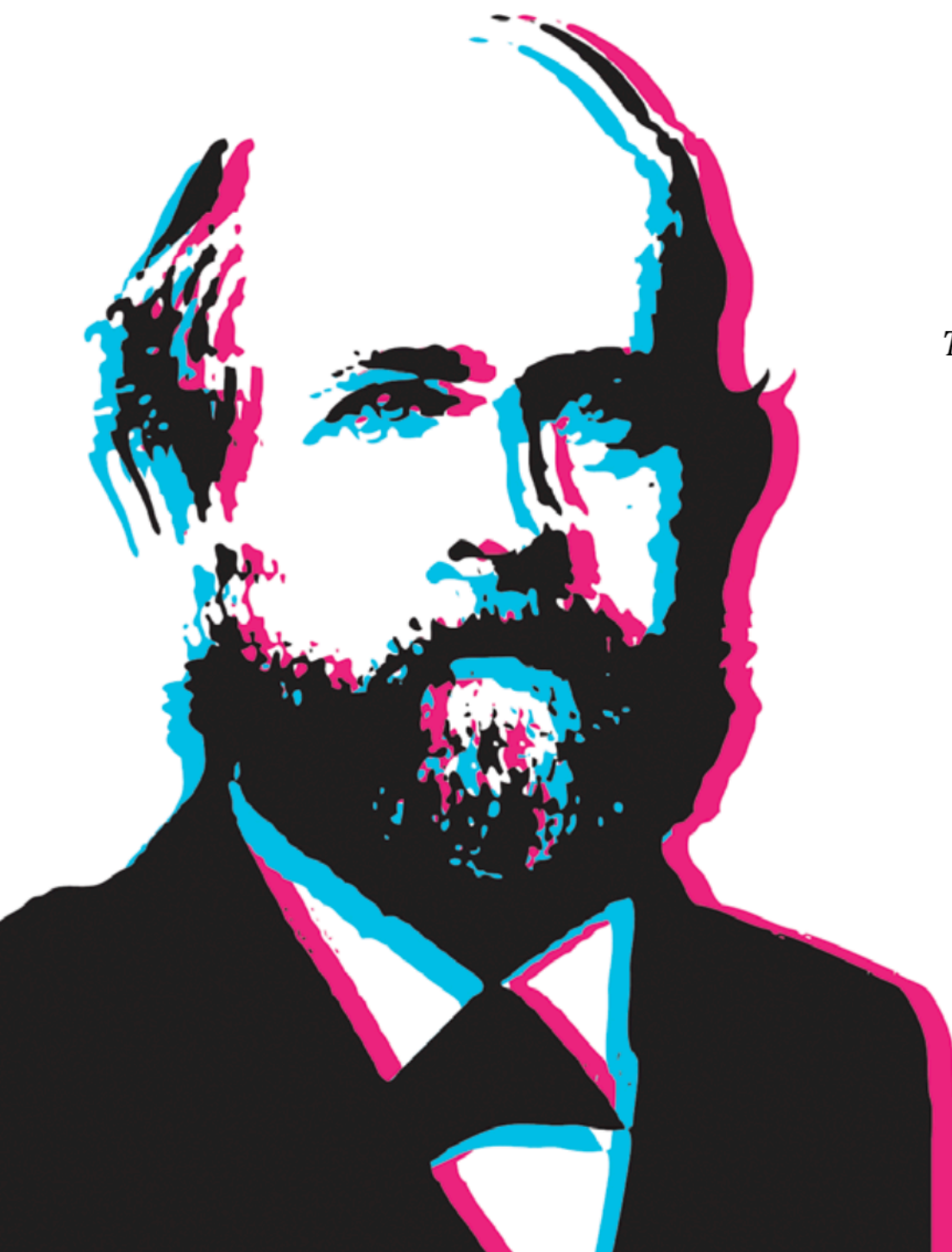
- *Land&Liberty* Editors.



... AND ALL SORTS OF ILL-VERIFIED
SPECULATIONS ARE CALLED SCIENCES

”

Henry George,
*The Science of Political
Economy, 1898*



To find out more visit
www.henrygeorgefoundation.org
or
www.landandliberty.net

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 through 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, Huxley, Helen Keller, Woodrow Wilson, Stiglitz, Friedman, and Sun Yat-sen. 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 constitute 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 the 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 these laws of nature as operating everywhere, at all times, and throughout a creation that includes man and society, and the worlds of body, mind and spirit. Furthermore, that people and societies can only behave ethically and succeed in their own designs when they are cognisant of, and act in harmony with, those natural laws.

This magazine is free, as are the meetings and classes of its publisher, the Henry George Foundation. However, we rely entirely on charitable donations from members, supporters and friends to survive.

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