LAND&LIBERTY

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Issue 1263 Summer 2024

To See Things Clearly

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"IN PERMITTING THE MONOPOLIZATION OF THE OPPERTUNITIES WHICH NATURE FREELY OFFER TO ALL, WE HAVE INGORED THE FUNDAMENTAL LAW OF JUSTICE -

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

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message from the honorary president

At a recent Geoist conference I presented a paper suggesting that if the rental value of land were to be collected as public revenue in place of the **£753B** (billion) currently collected through Income Tax, National Insurance Contributions, VAT, Council Tax and Business Rates this year's budgetary deficit of **£87B** would be transformed into a surplus of nearly **£400B**. Most academic economists present dismissed the suggestion as 'too good to be true - there must be a mistake'! However they singularly failed to convincingly identify what that mistake might be. I sympathised with their predicament as I experienced the same idea - but like them I could offer no logical argument to disprove the suggestion. I therefore now wonder if rather than being '*too good to be true*' it is '*too true to be believable - given prevailing economic norms*'. A similar thought arose this morning as I witnessed what I regarded as a beautiful sunrise and then remembered it was not really the sun that was rising but that our planet earth was revolving!

It is widely appreciated that GDP is not a very satisfactory measure of the goods and services produced within a nation and that it only measures those that are bought and sold. It excludes the goods and services that are freely produced, supplied, given and received with love, without the medium of money being involved. It is however the internationally recognised, core macro-economic indicator, and statistical estimate of the size of the national product so economists take it seriously.

UK GDP for 2024/5 is estimated to be around £2,786B and represents the sum of public and private sector spending on the provision of goods and services, i.e. £855B and £1,931B respectively. These figures include £371B that is transferred from government to the private sector through the payment of pensions and benefits etc. so the government's *Total Managed Expenditure* of £1,226B includes those transfer payments.

It is generally recognised that taxes on employment, production, and trade inhibit economic activity, reduce the real earnings of those who produce the national product, increase the viable selling price of all competitively produced goods and services and increase the cost of those provided by government. Less generally recognised is the *extent* of the damage caused by those taxes i.e. they reduce real earnings by around 50%, double the viable selling price of competitively produced goods and services, and double the cost of government provided services! If the aforementioned taxes were abolished Government revenue would be reduced by £753B from £1,139B to £386B. Government spending on goods and services would halve from £855B to £428B and its *Total Managed Expenditure* would reduce by a similar amount from £1,226B to around £799B. Would collecting the rental value of land be enough to cover the £413B shortfall?

According to Government's (ONS), property rents for residential and non residential buildings are estimated to be around 18% of GDP i.e. £501B. If, 50% of this derives from building costs and a like amount is due to land value some £251B is attributable to each. However following our tax reforms building and maintenance costs have halved to around £125B so the land component increases by a similar amount to £376B.

Households and firms tend to occupy the best or most suitable property they can afford, so when private sector spending power is increased by the removal of £428B of taxes, property rents are likely to increase by a corresponding amount. As the building costs have been reduced this increase all goes to the land value component which increases from £376B to £804B. When the £386B of untouched taxes is added to this, total public revenue becomes £1,190B alongside government expenditure of £799B. Is the resulting £391B surplus *too good to be true* or do our prevailing economic norms just make it *too difficult to believe*?

Get a fuller picture by joining our HGF Open Event on September 14th 2024.

David Triggs
Honorary President
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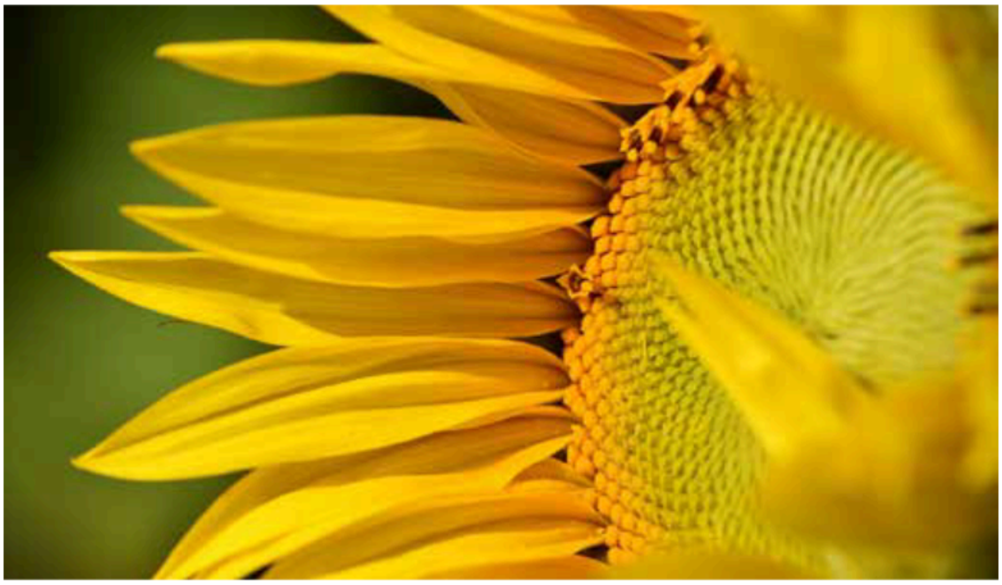

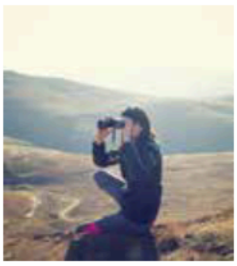

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letter from the editor

Amid all the debates over our economy during the election campaigns there was a conspicuous silence on the question of the housing market. There were certainly proposals for building new homes, with an emphasis on social housing. There is no reason to doubt sincerity here. But a glance at the tendencies of the housing market shows a profound contradiction. Contrary to the cautious predictions of estate agents and building societies, according to the Land Registry house prices have continued to rise during 2024 by about 1.8%. This despite rising mortgage interest rates and the cost of living crisis. Rents have risen by 9%.

This continuing rise in house prices is seen as 'encouraging' by the market. It is assumed that when house prices rise the economy as a whole is growing. But this is only half true. What is overlooked is that the proportion of household income spent on housing is steadily increasing. From a sellers perspective this looks good, while from a buyers it looks bad. If house prices are rising it means that a smaller proportion of household income is being spent in the general economy. It indicates that the income of mortgage lenders is absorbing a large part of any increase in general economic growth. This means it will depress general economic growth, since growth gets absorbed into rising house prices. The one thing that continues to increase is debt, and debt as such is not an indicator of economic growth but of a burden on the economy. For the mortgage lenders it is non-productive income.

Political parties argue that there is a housing shortage and propose various policies to increase building new homes. While welcome in itself, this does not touch on the real question of why households are paying an ever-increasing proportion of their income on housing. Over the last 30 years it has risen from 22% to 55%. This increase is not due to the rising value of homes but principally to the availability of larger mortgages. Forty year ago a mortgage would be offered at three times the annual income of a single wage earner in the household. That is when most mortgages were from mutual building societies, where any profits were shared by members. But when banks and other lenders were permitted to offer mortgages they offered a higher proportion and included the income of two household members. Thus all restraints on the housing market were lifted, and every household began to pay more of their net income on housing. The 'housing boom' was nothing else than paying more for the same. It represented a decrease in actual household spending power. Buying and selling the same houses at everrising prices indicates no increase in economic wealth. Yet market analysts and governments see rising house prices as an indicator of uptake in the economy. While there is general concern for inflation, rising house prices are not seen as inflationary. Yet they are clearly a major indicator.

It would be perfectly possible to stabilise house prices. Limits could be set on lending for homes, as used to be the case, and rents could be controlled as once they were. Or a land tax could be implemented as George proposed on all privately owned land as the main source of government revenue. This would put a stop to the ever-increasing debt on households and eliminate usurious lending on land speculation which is the primary cause of rising house prices.

There is a difficulty here. Housing and land prices are seen as part of the free market where demand and supply should balance out. But this cannot be the case with a finite resource such as land. Land, like water, inevitably becomes a monopoly in a free market. It is because land becomes a monopoly that mortgages can claim such a large proportion of household income. The home owner is in fact supporting the money lender. It is in the mortgage provider's interest to see house prices continually rising, not the buyer's nor the seller's. This is why the current rise in house prices is seen as 'encouraging' by estate agents, banks and economists.

Yet price rises in any other part of the free market economy are seen as inflationary. There is a curious blind spot here which calls for a revision of economic understanding. The ever-rising cost of home ownership and rents are a primary indicator of an economy in serious trouble. A wealthy society that accepts increasing homelessness, as now in the UK, along with increasing household debt, is suffering from self-inflicted wounds through lack of understanding of economic principles. Land, as a gift of nature, is not a 'commodity' like any produce of labour. Neither is it 'capital'. It is the common home of all towards which we have a collective duty of care. Equity in land use is the first principle of true economic analysis. It is the first point at which justice and economics converge, or at which they may diverge.

An economy built on land speculation will always tend to monopoly and a widening gap between rich and poor. Likewise an economy built on ever-increasing debt will continually run into social crisis. And as in Victorian times, this will lead to gangs and all kinds of crime in deprived communities.

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THE ANNOTATED WORKS OF HENRY GEORGE
BOOK LAUNCH AND CELEBRATION PART I
FRANCIS K. PEDDLE: GENERAL EDITOR
AND EDITOR OF VOLUME V *THE SCIENCE OF POLITICAL ECONOMY*

INTRODUCTION

The Henry George Foundation of Great Britain, along with the *Robert Schalkenbach Foundation* in the United States, have launched Volumes V and VI of the series *The Annotated Works of Henry George*. This is also a celebration of the completion of this series.

First to Henry George himself, a not insignificant historical figure and source of inspiration to many.

1. Who is Henry George?

Were this book launch held a hundred and twenty years ago here in London, or just about any other place in the world, we would have had to call the fire marshal for crowd control. George's *Progress and Poverty* is arguably the most famous book to come out of the nineteenth century. Frustratingly, for those who study his works, George is the most influential economist that nobody has heard of.

Progress and Poverty is not an economics text in the way we have come to expect in the modern genre of the discipline. The same can be said of *The Science of Political Economy*. But then again most treatises on political economy in the nineteenth century would be unrecognizable today as economics texts. It combines economics, ethics, science, politics, religion, history, and exquisite rhetoric in a large scale synthesis. Speaking of rhetoric, my colleague and co-editor, Professor William Peirce, has provided a new Introduction to the new edition of *Progress and Poverty* in the series. He shows just how powerful and influential George's rhetoric was on the diverse audiences of his day. This is rhetoric in the classical and most refined sense of the term. Well crafted, nuanced, thoughtful, substantial, and immensely persuasive both morally and conceptually.

The same can be said of *A Perplexed Philosopher*. On first read, it comes across as a unrestrained, sardonic, and somewhat unpedantic attack on Herbert Spencer, a very famous, well-respected philosopher in the nineteenth century now only read by *niche* historians of the discipline. As Joseph Milne aptly points out in his Introduction to Volume VI, *A Perplexed Philosopher* is a finely reasoned critique of many of the fundamental presuppositions of the Victorian Age. That critique not only encompasses the land issue, but also cuts through many of the erroneous shibboleths of the social philosophy of the day.

2. Who was Henry George?

There is a large literature that can help us answer that question. And while we may answer the question anew for historical reasons, there are even more pressing reasons to answer it for our current economic and social woes. George made very strong claims for the centrality of his solution to the economic paradox. The most singularly important historical point about what he called his "sovereign remedy" is that there has been virtually no economist since his time who denied that there is no role whatsoever for his solution to the economic pain of modern industrial and post-industrial society. The arguments are usually about its efficacy, or overreach, or political practicality.

No one has denied that there is a pervasive, unavoidable, and in many ways insidious thing called "economic rent." It is often made somewhat less insidious by calling it profit or the just rewards of entrepreneurship. Economic rent is by definition something "very public," yet today it does not exist in the public consciousness of the economics profession because there is no such thing as land, only labour and capital. It has taken some effort to conjure away economic rent from the psychology of the popular economic mind, burying it in mortgage interest, or in the legal fictions that abound in real estate and assessment practices, or in linguistic circumlocutions like talking about the housing crisis without ever mentioning land, or site selects, or urban ground rents, or discussing the real nature of wealth.

3. The Henry George Literary Corpus

George has left us a significant and very approachable literary corpus. His style is thoroughly engaging, florid, anecdotal, forceful, trenchant, and frequently given over to an energizing indignation. *The Science of Political Economy* and *A Perplexed Philosopher*, the books being launched here today in new critical editions, are Volumes V and VI in a series entitled *The Annotated Works of Henry George*. These two volumes complete the series, which was an eight year project.

Progress and Poverty, George's most famous and influential work, is Volume II in the series. To quote from Professor Peirce's Introduction by 1905 "more than two million copies of the book had been printed, counting all countries and all languages". Economists, often protecting the status quo in the distribution of wealth, nonetheless had to take note of its omnipresence.

Even sparsely populated Canada by the 1930s could boast of four or five Henry George Schools in its major cities and a Henry George Foundation of Canada.

4. Henry George the Politician

George was not content to be an armchair economist or backroom ethics advisor. He came to prominence in the mid-1880s in his campaign for mayor of New York City. If you think our politics are vicious and degrading read Ed O'Donnell's recent *Henry George and the Crisis of Inequality*. Tammany Hall went after George with a vengeance. He barely lost to Abram Hewitt in what was by all accounts a less than savoury ballot count. If it was any consolation to anybody thereafter he did beat Teddy Roosevelt, who came third. Nevertheless, the campaign of 1886 was a highwater mark for labour politics in American history and George was at its epicentre. *Social Problems* (1884), a distillation of *Progress and Poverty*, but even more so a rhetorical and political tract, geared up George for the mayoral campaign of 1886. It is well know that George in varying ways had a significant political influence on Leo Tolstoy, Sun Yat-sen, and Winston Churchill. Even a few philosophers, such as John Dewey, thought he provided the only antidote for what ails us.

5. Origin of the Series

The sponsors and publishers of the series are the Robert Schalkenbach Foundation (RSF), the Henry George Foundation of Great Britain, the Henry George Foundation of Canada, Rowman & Littlefield, and Fairleigh Dickinson University Press. The resurgence of George's philosophy since the Great Recession required a solid scholarly foundation. Although there have been many reprints of George's works, and occasional new translations, there has never been a critical, annotated edition of his major works. This is unusual for an author of such historical and intellectual significance as George.

The more recent resurgence of Georgist economics has grown primarily out of the ongoing and wholesale privatization of publicly created wealth in the predominant philosophies of neo-liberalism and what generally passes for "legitimately" earned income in a putatively free market economy. Much of the income accruing to the one per cent has a morally questionable status. This is not unlike the moral disapproval of unearned income that one finds in the classical political economists, such as J.S. Mill and Henry George.

6. Why The Six Volume Henry George Series?

Past reprints (Doubleday, Robert Schalkenbach Foundation) have outdated prefaces, introductions, and indexes. There was a need for updated scholarly introductions and for extensive critical annotations. Volume VI, *A Perplexed Philosopher*, also contains a cumulative index for all six volumes, which provides an invaluable scholarly tool for future researchers.

THE SCIENCE OF POLITICAL ECONOMY

Two years before the publication of *Progress and Poverty* (1879) and twenty years before *The Science of Political Economy* (1897), Henry George gave a lecture at the University of California at Berkeley entitled "The Study of Political Economy." There is much in this lecture that foreshadows George's mature approach to the discipline. Methodologically, he talks about how "mental experiments" are crucial for economics. In the same vein he stresses to the students the need for conceptual rigor, defined by him as separating, combining, and eliminating. He says that political economy must confront the great paradoxes of society. We also have the familiar language of laws and principles. George declares that the law of social life is the law of liberty, and that political economy can save us, and that humanity can progress. This is language very different from Ricardo and Malthus at the beginning of the century. Indeed it is more reminiscent of the optimistic philosophies of civilization of the late Enlightenment. Political economy is a "simple and attractive science," but ominously George notes that it has taken on an air of "repellent abstruseness and uncertainty." Without being fully aware of how pervasive the abstruse world of modeling would come to dominate economics, George focused his critique on the Austrians and the obscurities of Whateley's "catallactics," and William Hern's "plutology," the latter being one of the original professors of political economy at the University of Melbourne in the mid nineteenth century. He is also explicitly declared that the laws of economics are not the laws of mathematics and it is dishonest to commingle the two.

(i) Symmetry and Natural Law

Both an economics based on laws framed in words and a model-based economics have to deal with the problems associated with meaning and significance. The language of natural law has been embedded in the Western tradition for millennia. Its most succinct formulation was provided by Cicero in his *De Re Republica*. Classical economics views its peculiar laws as being no different than those of physics or chemistry. In this sense, economics is more a "hard" science than a soft science in the panoply of the social sciences. Economic laws reflect the order of nature. They are immutable, regular, and form the basis of predictability, from industrial fluctuations to market behaviors in individual cases. For George, natural law controls, within certain ranges, all the variables of a complex economy. They are the ultimate source of its predictability and meaning. The distortion of these laws through human actions, be they coercive, violent, or legislative, will invariably lead to a re-balancing, which, less euphemistically put, means economic pain for someone or some group.

In model-based economics the inputs are controlled by the economic imaginary. The economic object that a model projects must be subject to rules. These rules originate with the structure of the model, be they algebraic or mechanical. They must also grapple with the economic content the model supposedly embodies. The latter could be determined by anything, i.e. space/time dictions, distance to market, quantity of exchanges, inter-temporality, the list is infinite. This is, of course, the Achilles heel of model-based economics. There are too many variables to build up a reliably comprehensive model of the macro-economy. The concentration of rent in a highly urbanized, post-industrial economy is obviously very different from an agrarian economy. The intensive margins are different. Law-based economics is not dependent on the variables of the economy writ large, or of human nature for that matter. It views the asymmetries of the economy within the controlling parameters of economic law while allowing for the free play of human agents. The law of economic rent is the

main filter in Georgist economics for the lawful symmetries, and the particular human asymmetries, in any given economy. It is always present, but how it is present is infinitely complex.

The symmetrical structure of George's view of natural law dictates that both sides of an equation must be accounted for in any given economic proposition. This is obvious in demand and supply curves, for instance, but George's sense of symmetry is much more global. Unjust wrongs must also deal with unjust possessions, for instance, in the quest for social and economic justice. Infrastructure spending must involve the public capture of the rents that such spending inevitably generates. This is opposed to the asymmetries of an economics of "trade-offs," where one side of the equation is in a negative relation with the other. For instance, income taxation, understood as a deadweight loss, is a trade-off with productivity and economic incentive. Symmetry, for George, means that both sides of the equation are mutually reinforcing.

(ii) What is Political Economy?

George puts forth some extraordinary, for us, claims about the nature of political economy. There is no individual, or aggregate of individuals, in his *The Science of Political Economy*. It is an economics of community and that community is an organic, natural whole. George is no different from classical economists generally who focus on the laws of political economy such as subsistence wages, the law of interest, or Marx's economic determinism and capitalist cycles. These laws are not simply the inductively catalogued effects of the aggregate actions of individuals, as is frequently suggested, but something embedded in the very order of the economic world in the face of which human decreed or legislated actions are ultimately futile. With the eclipse of classical political economy in the nineteenth century and the rise of a subjectivized *homo economicus*, natural law in economics also receded. Modeling became centred on the two-factor symmetries of interactive individuals. This is part and parcel with the transformation of the discipline from a three-factor to a two-factor orientation. Eventually only labor and an expansive definition of capital become the twin poles and the *modus operandi* of causal explanation and indeed experimentation in economic research.

George defines his scientific object as follows:

Political economy is the science that treats of the nature of wealth and of the laws of its production and distribution.

This science has no concern with public finance, culture, politics, psychology, or sociology. In fact, much to the chagrin of Georgists, it has nothing to do with taxation. Economics is not a disquisition on human nature. We are neither "incorrigibly selfish" nor "unfailingly benevolent." It does deal with property, but in the abstract, and not as a human institution, contrary to J.S. Mill. Political economy is a theoretical science, but is equally the most practical of the sciences. It is a science that requires semantic transparency, but also system and simplicity. Humans are "producers" not "creators." We live and produce within nature. The essence of civilization lies in the "body economic," or the Greater Leviathan, as George liked to style it, and not in the body politic. The most common error in economics is the mixing of human and natural law. The Georgist perspective demands something that you might not expect. Natural economics must be purged of human law and not the converse. An economic system requires a first principle. All deductions and inductions in economic science methodologically revert back to this principle, which, for George, is simply the "satisfaction of desires with a minimum of exertion." At first glance this seems like an efficiency principle, but on further analysis it contains a distinctive principle of distributional equity. The first principle of economics completes a methodological circle. It is also the internal method of that circle, from the consideration of the relation between wealth and value, to the theory of money, to distribution. Each element of deduction complemented by observational induction is one of "imaginative experiment."

How better a way to describe model-construction than one of imaginative experiment. Just as George can be seen as one of the more prophetic writers on the urban economics of the twentieth century, he can also, ironically, be taken as making a strident theoretical and methodological case for the primacy of modelling in the modern economy. His hypothetical thought experiments are word-based and not spatial or algebraic. He constructs fictional economic narratives out of popular stories, myths, and idealized portrayals of human interaction with nature. George at times characterizes his approach as the "imaginative experiments" of common sense. This explains his appeal to a much wider audience than anyone in the fledgling neo-classical tradition could ever lay claim. It is nevertheless a spatialized thought experiment along with many other Georgist inspired models that are easily put into geometrical, diagrammatical, or algebraic language. Marshall, Jevons, Knight, Newlyn, and many others intuited that models were the proper object of economic science, but it was George who made the pure theoretical argument that the ideal science of the economy is a pure wealth, production, distribution model focused only on the whole and purged of all individuated legislative or policy prescriptions. This is a vision of the science that is as radical as George's reformist agenda. It is, however, an incremental radicalism that is has often been overlooked in the history of economics.

(iii) Wealth and Value

Book II "The Nature of Wealth" in *The Science of Political Economy* combines historical critique, logical analysis, conceptual construction, and economic theorizing. George's historical critique of economics is threefold: (i) classical European economics; (ii) American economists; (iii) marginal economics and the Austrian school. Generally, George groups these critiques under "scholastic" or academic economics, though the term "scholastic" is at times more narrowly used for the Austrian school, which he also labels on occasion as "psychological." George reserves his most polemical attacks for the Austrians. Their theory of value is one-sidedly subjective. It is usually seen as the basis of methodological individualism in economics. Edgeworth's Box works well in conjunction with methodological individualism because it can be expanded *ad infinitum* from the absolute minimum of two economic actors into the aggregate or macro-economy. George's critical history of political economists up to his time should be taken as a topographical guide to his own concept of wealth.

The theoretical core of Book II of *The Science of Political Economy* revolves around a search for the definition of wealth, its essential nature, and the relation between wealth and value. Today, the term "value" predominates though its use often suffers from the same vagaries and obfuscations as did the term wealth in George's time. Indeed, value-theory has become so ubiquitous in multiple disciplines from philosophy, to psychology, to economics that it has been drained of all but context-specific meanings. The bottom line, economically, for George, is that all wealth has value, but not all value is wealth. Wealth is therefore the predominant term. Wealth itself is defined by him through a recrafting of the classical distinction between value-in-use and value-in-exchange into a distinction between value-from-production and value-from-obligation.

Conceptually, Book II has the following three divisions:

(i) Chapters I to VIII – inquiry into the nature of wealth;
(ii) Chapters IX to XIV – analysis of economic value;
(iii) Chapters XV to XXI – true meaning of wealth, value from production/value from obligation.

George's concern is to infuse objectivity as much as possible into the meaning of wealth. His philosophical orientation is fundamentally reconciliatory. The arc of George's philosophy functions within the symmetry of understanding the mutual complementarity of economic opposites. This means that the subjective aspect of value must be integrated into the objective determination of the nature of wealth. Individual foibles and interests, or perversions for that matter, have no place in this consideration. The subjective, for George, is something writ large as either the human spirit in its innovative intellectual energy or the generalized human desire to satisfy needs and wants. This is another reason why economic modeling, in a Georgist universe, is better focused for heuristic purposes on large-world models of economic rent than the particular "rent-seeking" motivations in all sorts of contracts and exchanges.

There are five principal delusions with respect to the meaning of wealth:

(i) Confusing the wealth of the individual with that of society;
(ii) Alignment of wealth with money;
(iii) Allowing incongruities in the meaning of wealth become a matter of convention;
(iv) Abstract identification of wealth with either land or labor;
(v) Perverse reflections on the relation between land and labor and the confusion of the two leads to the abstract concept of "pure capital" which includes nature.

The alignment of wealth with money is generally understandable given its fungibility or easy convertibility. Inflation, fractional banking, and the status of being "asset-rich/income poor" all belie this equation. Debt cancellation advocates explicitly deny the connection. Money is a legal fiction and such fictions can take many forms. Money, as a medium of exchange and a measure of value, is a direct application of the first principle of political economy. It cannot therefore be at the root of the definition of wealth, either as fiat money, credit money, or tangentially as commodity money.

Wealth is not reducible to nature as such *or* labor as such. The potential of labor, skills and capacity, is as necessary for productive activity as is the availability of natural resources. The main point is that the potential of labor, so called human capital, is as devoid of wealth as the potential of nature, natural capital. The actuality of wealth only comes into being when initiatory labor acts on passive nature. In the Georgist universe there is no such thing as natural capital or human capital. Nature is creative and creates anew, but it is not productive. On the other hand, human labor is productive, and can be originally so, but it is not creative. Labor is the initiatory factor in all production, but there is only production when there is interaction with nature. When the cooperative principle takes over wealth is the result of "the socially conjoined effort."

George's theory of wealth makes the following claims:

(i) Wealth and value are not the same, all wealth has value, but not all value is wealth;
(ii) Economic value is not an intrinsically determined attribute of a thing;
(iii) Political economy measures exchangeability, but exchangeability cannot be totalized or absolutized – relative value;
(iv) We seek minus-exertion in plus-exertion – labor saving;
(v) Exchange only recognizes value as an indicium of minus-exertion;
(vi) Value-from-production/value-from obligation lies behind a command theory of the exchange of the expectations of minus-exertion;
(vii) Political economy is really a philosophy of urban economics primarily.

The analysis of economic value in relation to wealth is ultimately rooted in "exertion." The first principle of political economy tells us that plus-exertion is what human beings want to avoid. The whole point of plus-exertion is to negate itself. The goal, or *telos*, of plus-exertion is minus-exertion. Exchangeability, and the values determined by exchange, is the medium where minus-exertion acquires its objective value. Exchange pricing is the recognition of value as an indicator of minus-exertion. Minus-exertion is in effect command-exertion. It is labor-saving or the command theory of the exchange of the expectations of minus-exertion. The theory of value is necessarily futural. It is not determined by past production or past exertion of labor. It focuses on an expectation of a future reduction in exertion. This is ultimately the landlord's privilege or the rent seeker's game – the power to command without a return of their labor.

(iv) Henry George's Rent Model

A pure economic rent model cannot have any productivity or utility variable. George's rendition of the rent model in algebraic form is:

As Produce = Rent + Wages + Interest
Therefore, Produce – Rent = Wages + Interest

All wealth produced in a community can be divided into two parts which are separated by the rent line. This is determined by the margin of cultivation where the return to labor and capital does not involve the payment of rent. Below the rent line wages and interest must be paid. Everything above the line goes to the owners of land. In progressive countries and urbanized economies the increase in the value of land is "swallowed" by rent while wages and interest stagnate or fall. The Georgist rent model is the core of his economic philosophy. The central role of economic rent in determining wages and interest was the primary contention of George's critics. The model lies at the heart of Mason Gaffney's ATCOR and EBCOR models, i.e. all rent and all excess burdens come out of rent.

(v) Modern Rent Models

The principal elements of a research agenda for the modelling of economic rent are found in Mason Gaffney (2009b). He lists thirty-one reasons why assessed land valuations for tax purposes fall short of market valuations. With respect to the market values of land there are four main areas of downward assessment bias, as noted by Kumhof, et al. (2021, 30): (1) failure to apply the building-residual method as opposed to the land residual; (2) assessment on the basis that the current use, often suboptimal, is permanent; (3) assessment lag; and (4) use of a capitalized income method for business properties, despite often suboptimal income. The Kumhof model distinguishes between Land Rental Value Taxation (LRVT) and Land Asset Value Taxation (LAVT). The latter is optimal from a Georgist perspective because it includes the capitalized value of future after-tax rental values *and* gains due to price appreciation. Economic rent models focus on the share of land and other non-produced assets in the overall value of physical assets, which include non-produced and human-produced assets. As the Kumhof model shows the value of non-produced assets in the total of assets is very high on a global comparative basis. The value of land assets in most industrialized economies as a share of total physical assets ranges from a low of 40% to a high of 60%. The Kumhof model simulates tax reform experiments at a 51.1% calibration, but also performs simulations at 40% and 60% in terms of land share. This is necessarily a fundamental characteristic of Georgist tax impact models. Obviously, the lower the land share the higher must be both the tax rate and the tax incidence in order to achieve comparable output and welfare gains.

The Kumhof model contains many valuable international comparisons using both national and OECD data. Comparative date between Canada and Australia. For households in both countries the share of land in total non-financial assets has increased substantially since the 1990s from 30% to 40-45%. For Canada it is currently 55% and for Australia a historically extraordinary 65%. The Kumhof model assumes roughly equalized rates of return on produced and non-produced assets. This means that half of the assumed or deemed rate of return on capital is really on non-produced assets. This has very significant macroeconomic implications for output and welfare gains.

The modeling of economic rent in Canada and Australia in recent years yields some significant comparative data. For instance, Canada in 2022 has a total economic rent of $421 billion from six categories (1) land; (2) minerals; (3) energy (oil and gas); (4) forestry, (5) fisheries, and (6) air (carbon). The largest component by far is land value, which peaked at $6.4 trillion in the second quarter of 2022, put which has declined since then because of rising interest rates. Focusing on the land sector would undoubtedly yield the most rent across all jurisdictions, municipal, provincial, and federal. Other sectors such as minerals and energy can also contribute significantly to a reduction in income and sales taxes. It is estimated that a 50% tax on total land value would eliminate income taxation on the first $71,900 on income, which is more than five times the current personal exemption in Canada.

With respect to Australia economic rent has increased from 2% of GDP in the 1950s to 20% in 2017. Analysis shows that the fraction of GDP flowing to landowners does not trickle down to labor and capital. The fraction of GDP flowing to land is significantly underestimated in economics texts. This is the near universal conclusion of many studies in many different jurisdictions. Standard textbooks over many decades erroneously put the share of rental income in GDP to often less than 2%. Comparative international studies as well as national rent models, such as those in Canada and Australia, show that these are gross underestimates. This is perhaps the single greatest gap in economic intelligence in the post war era. It should also be noted that converting taxes on labor and capital to taxes on economic rent results in the generation For instance, the limited time pre-emption that is associated with a parking meter has a direct cost-benefit equation. Political rents, on the other hand, have very diffuse unearned income benefits to the recipient. Generally, speaking the literature on economic rent focuses on land, mineral deposits, and the profits of unregulated monopolies as the optimal asset bases for the re-capture for public purposes of unearned income.

CONCLUSION

It is perhaps to the disheartening weight of inter-generational inequality that we might focus our condemnatory gaze. It constantly leaps out from the multiple and always simmering crises facing modern economies. The invidious consequences, for example, of the global housing crisis are too numerous to itemize here. So it is better to put it into moral terms to avoid the outlier arguments. Is not everything we do, we do for the next generation, for posterity, for human progress? Progress is only possible where there is co-operation and equality. The housing crisis has turned the next generation into the grand precariat, to use a term of Guy Standing's. The correlation may seem tenuous, even preposterous. George, however, knew all too well the connection. And he would undoubtedly say that we have set ourselves up for a great retrogression, all too common in history. We are the Titans of ancient mythology eating our own children.

George was, however, an optimist. The desire for progress is strong and irrepressible. Civilization can and will overcome its self-destructive tendencies. Better societies and better lives can still be envisaged.

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THE ANNOTATED WORKS OF HENRY GEORGE BOOK LAUNCH AND CELEBRATION PART II

JOSEPH MILNE: EDITOR OF VOLUME VI *A PERPLEXED PHILOSOPHER*

There are many good reasons for reading Henry George's *A Perplexed Philosopher*. One good reason is that it gives us a direct insight into the social and economic thinking of the nineteenth century which pulled in two opposite directions. On the one hand, there was a desire among the ordinary people for improved economic conditions and for a just and equitable society. This was a noble impulse, as we see in the novels of Charles Dickens. On the other hand, there was a wholly mechanistic conception of society in which everything occurred simply by necessity. This highly materialist view had no concern for an ethics of justice. Nature was just blind force. But this view got taken up in a new way with the discovery of biological evolution, in particular the theory of Charles Darwin. Here was a view which not only explained the mechanisms of nature, but also the development of higher species.

Herbert Spencer, the leading social philosopher of the time, took the notions of blind necessity and Darwinian evolution and mixed them together to form his social theory of ethics or justice. For this theory he coined the expression 'survival of the fittest' which is usually wrongly attributed to Darwin but who adopted it from Spencer. Here is a short sample from Spencer's final work on social justice:

... from the evolution point of view, human life must be regarded as a further development of sub-human life, it follows that from this same point of view, human justice must be a further development of sub-human justice.

Of man, as of all inferior creatures, the law by conformity to which the species is preserved, is that among adults the individuals best adapted to the conditions of their existence shall prosper most, and that individuals least adapted to the conditions of their existence shall prosper least—a law which, if uninterfered with, entails survival of the fittest, and spread of the most adapted varieties. And as before so here, we see that, ethically considered, this law implies that each individual ought to receive the benefits and the evils of his own nature and consequent conduct: neither being prevented from having whatever good his actions normally bring to him, nor allowed to shoulder off on to other persons whatever ill is brought to him by his actions. (Herbert Spencer, *Justice* p. 17)

Even though Spencer was usually a writer who says very little in very many words, here he has summed up the whole of his thought on human evolution and ethics. Evolution is nothing else than adaptation of individuals for survival, with the strong prospering and the weak falling away, and this process of natural selection is simultaneously justice, each getting their just deserts through biological necessity. The strong deserve whatever they acquire, the weak whatever they acquire. Ethics is automatic, requiring no judgement of conscience or measure of goodness above individual advantage. Individual advantage is the full expression of the law of evolution. Needless to say, this is a distortion of Darwin's evolutionary theory which is about the adaptation of species, not of individuals or society. These ideas are simply elaborated to the point of absurdity in the rest of Spencer's work entitled Justice. (*The Ethics of Social Life: Justice* 1891)

Anyone familiar with the ideas of Henry George on social and economic justice will easily see why he was so appalled by Spencer's social theory. But what, in fact, most appalled George was how Spencer had in his early work, *Social Statics* (1851), clearly expressed the very opposite view – of justice expressing human equality and the equal right of all to the gifts of nature. In other words, Spencer originally argued that the 'land' or 'the earth' was the common right of all, and that one of the primary causes of poverty was the monopoly of land by a select few who had either arbitrarily claimed it or seized it by force. Poverty, simple material poverty, was caused by the legalisation of the misappropriation of land. In *Progress and Poverty*, George had quoted Spencer's *Social Statics* in which Spencer had eloquently argued for this view – that all had equal right to the land and none the right of private property in land. The later work, *Justice*, from which I just quoted, was Spencer's *revision* of *Social Statics*, from which his earlier view on the land question was entirely expunged.

The question for George was: Why had Spencer changed his mind on the land question and arrived at the entirely opposite view that only the strongest and fittest deserve nature's gifts and power over her resources? Had his friendship with Darwin and his theory of evolution given him a just intellectual revision of thought? Had he become confused and contradictory? Or was there some other more questionable reason, a reason rooted in a lack of moral integrity? In *A Perplexed Philosopher* George asks these questions, and is prepared to hear Spencer's arguments for his change of position. He finds, on examining Spencer's *Justice*, not only contradictions in his arguments, but an obvious sophistic deviousness. In plain language, blatant dishonesty. It is clear to George that Spencer had sold out on the quest for truth in exchange for acceptance in Victorian high society – the society of the landed class and rich merchants and industrialists. These people were, in Spencer's evolutionary terms, the highest and fittest. Spencer had himself declared that the modern captains of industry were superior to the greatest philosophers of antiquity, not only materially but morally. One senses that Spencer never read much ancient philosophy. His notion of determinist evolution necessarily relegated all ancient philosophy to the infancy of society.

It was George's perception of Spencer's lack of both moral and intellectual integrity that prompted him to write *A Perplexed Philosopher*. Having once admired his early work, which he had quoted in *Progress and Poverty*, he was now appalled by the compromise with truth and honesty in has latest work. His mind was finally made up when he met Spencer in London. George asked him his views on the Irish question. Spencer had responded that the English landlords had every right to their rents from their Irish tenants. George, shocked and speechless, made no reply and simply turned from him, recording the incident in a letter to his son. And here we are now, more than a hundred and fifty years later, still embroiled in the consequences of the 'Irish question'.

In *A Perplexed Philosopher* George shows deeper philosophical insights that are not so evident in his other works. He shows how the philosophical premises of Spencer's arguments do not stand up to examination, and how Spencer is compelled to make spurious arguments to conceal their unsoundness. But the essential error at the root of Spencer's social theory is that he places the biological and the ethical on the same plane. That is the assumption of the passage I just quoted from Spencer's *Justice*, where each individual receives the benefits or disadvantages of his biologically determined actions automatically by the law of evolution. Spencer uses this notion of evolutionary 'just deserts' as an argument against all forms of governmental intervention or social reform. Charity or any kind of mitigation of poverty, he argues, *prevents* natural evolution from taking its proper course. Benevolence shows weakness of character.

How could such outrageous ideas win public currency? Well, they did, and widely. They chimed with the *zeitgeist* of the age. Herbert Spencer was by far the most famous and influential social philosopher of the Victorian era, hailed by some as the greatest philosopher of all time. The nineteenth century culture was ruled by mechanistic explanations of everything. A dreadful scientism prevailed, and the great engineering feats of the Victorians – the bridges, railways, electricity, mass production, and the commercial exploitation of the colonies – all demonstrated to the Victorian mind the power and advances of the mechanical sciences. So why not apply the same mechanical laws of physics to the social realm? The same mode of thinking gave birth to the logical positivism of August Comte and the historical materialism of Karl Marx. Each view shared in a conception of social development which naturally led from one stage to the next. Along with Herbert Spencer, all agree, despite other major differences, that society has evolved from a state of primitive ignorance and religious superstition to a higher state that must inevitably lead to some form of utopia. Thus history itself is ruled by a mechanical law of determinism, a law which could explain, if not entirely justify, the tragedies and sufferings of mankind down the ages. What matters is not the past but the possible future. And here we might note that the extraordinary French philosopher, Simone Veil, has called this projection of a utopian future, present in Marx and Spencer, a form of idolatry. Indeed, mechanistic materialism and scientism are each modern variants of idolatry. It is a mode of thinking about time and history that Aldous Huxley portrayed in his novel *Brave New World*.

There is a point at which scientific discovery can be transformed or distorted into ideology. Spencer does precisely that with Darwin's evolutionary theory of species and natural selection by applying it to the social, cultural and ethical spheres, where Darwin himself had said it could not be applied. The evolutionary biologist Alfred Russel Wallace, a friend of Darwin, had even more vigorously opposed such an application, arguing that the primitive tribes he had explored far more exhaustively in his travels than Darwin, lived by higher moral standards than English Victorian society which was degenerate by comparison, with its slums and poverty. Industrial development and moral development were entirely independent. Indeed, Wallace campaigned for social reform against the proposals of Herbert Spencer, and in 1882 formed The Land Nationalisation Society. That was prior to reading George's *Progress and Poverty*. And when in England, George spoke at Wallace's invitation at the newly formed Society. The anthropological and social insights of Wallace are far superior to Darwin's and Spencer's and are undergoing a revival.

Nor were these the only movements of social and land reform at that time. Robert Owen (1771-1858) had founded communities of common ownership which thrived for some time. He is the father of the Cooperative Society and of the Cooperative Party still with us today. There were also many Quaker companies who likewise sought to elevate the working people through providing good homes and free education. Many of these companies survive to this day, such as Cadburys, Rowntree, Clark's shoes, Barclays and Lloyds Banks, though not all of them have retained their Quaker principles. I must admit I have greater admiration for these practical reformers, who actually did improve the conditions of the poor, than I do for the abstract idealists of the time of whatever type. Action from benevolence is more productive in nature than self-interest.

There was a tide of social conscience actively seeking social and economic reform in the nineteenth century. Yet all such reform, whether from government, socialist movements or religious inspiration, were fiercely resisted by the great industrialists and land proprietors. Indeed, they sought to portray all such reforms as anti-liberal and opposed to the freedom of the individual and freedom of contract. The competitive struggle for survival was the driving force of industry and the spur of labour against its natural tendency to idleness and sloth. Even Sunday sermons preached this antichristian philosophy where the Church itself was largely caught in serving the status quo, and even preached the same theory of deserts that Spencer had formulated. Poverty was a sign of moral weakness and biological inferiority. There were even some who claimed that Spencer's theory was the realisation of the teaching of the Gospels. Thus the present can be sacrificed to the future when the weak and feeble will be naturally eliminated. Through such ideas, in expectation of some distant utopia, the industrialists, the speculators and the land proprietors could ease their conscience over the appalling working conditions of their factories and the purpose-built slums.

Thus, through the device of biological evolution, morality was deferred into an unknown future time through what Spencer regarded as the 'evolution of justice'. That is to say, justice is nothing else than each getting their earned deserts, and as such could not be fully applied to the present age which was still developing towards justice. Spencer's sophistic trick for this deferment of justice into an unknown but inevitable future was through drawing a distinction between what he called 'absolute ethics' and 'relative ethics'. In the present stage of social evolution 'absolute ethics' cannot be applied, only 'relative ethics'. Absolute ethics will be realised only when the biological condition of perfection is attained. It was therefore inappropriate to use justice or 'absolute ethics' as a measure of present society. George attacks Spencer's distinction between 'absolute' and 'relative' ethics as a piece of sophistry. Justice can no more evolve than a triangle can evolve. Nor does society necessarily progress towards justice

Joseph Milne

by some law of evolution. Nor is *injustice* or 'relative ethics' a necessary stage of evolution. These are doctrines unsupported by any empirical evidence. They are likewise philosophically unsound.

From these ideas arose what was later called Social Darwinism, to which many industrialists and land owners enthusiastically subscribed, either through sheer ignorance or selfish advantage. Few adherents thought to ask why past history had to be sacrificed for a yet unknown future. But this only shows the cultural poverty of an age which can find meaning only through negating past history and expecting meaning to arise in the future. Here the extreme individualists and extreme communists met in full agreement that the future would see the dissolution of the state and the liberation of all people from any external authority. Progress and freedom were equated, yet only in terms of potential, and thus both are infinitely deferred. The present was merely a time of transition for ideologies to build dreams on.

It is easy to see why Simone Veil saw this transference of human responsibility to a utopian future as idolatry. It has the trappings of a religious superstition. Even more so since it originates in blind chance, or what Spencer calls the original 'matter and motion' out of which the universe has arisen and which had no inherent principle of order or direction. As George points out: How can order and direction arise out of mere matter and motion? He refers to Schopenhauer's notion that some sort of 'will' must be inherent in things for them to take the forms they have (*A Perplexed Philosopher*, p. 167). But for Spencer this would open the door to the working of some kind of intelligence in the unfolding order of the universe – something which cannot be attributed to mere matter and motion. But conceding any kind of organising intelligence to the origin of the universe would require a complete inversion of his principle of evolution. It would also change our relation to the present by making us responsible to the world and the society we now live in. Yet Alfred Russel Wallace argued, from a purely scientific point of view and in support of evolution, that blind chance could not account for the origin of the universe or for the present order of things which express an inherent intelligence. Both motion and matter must themselves derive from some prior ordering principle.

Here a presupposition of materialism is exposed with roots going right back in the birth of the modern sciences. They begin by eliminating any kind of teleology or intelligence in the explanation of things, especially through the application of mathematics to physics. That is fine if all one wishes to do is measure things or outline their morphology. But it does not apply when brought to higher realms of reality, such as the living biosphere, human society, culture, politics or ethics. Any attempt to apply it to these spheres must distort what is present or conceptually eliminate essentials from them in advance of observation. So one ends up with such absurd questions as, how, if all is matter and motion, can human beings have consciousness? Such a question ignores that consciousness has been eliminated in advance of posing the question.

In his examination of Spencer's social theory, George is keenly aware of these kinds of absurdities. He sees the awkward contradictions Spencer falls into in seeking to maintain such an unsustainable position.

One of the most absurd notions Spencer comes up with is drawing a distinction between the 'surface of land' and the elements of light and air, which he calls 'Natural Media', suggesting there were distinct rights to each of one these. By supposing that light and air can be distinguished from land, Spencer asserts that "light and air cannot be monopolized", to which George responds:

But they are *monopolized in the monopolization of land, and this as effectually as any monopolizer could wish. It is true that air and sunlight are not formally bought, sold and rented. But why? Not that they could not be measured off and determined by metes and bounds, but simply because they are to our physical constitutions inseparable from land, so that whoever owns the land owns also the air it is bathed in and the light that falls on it. Light and air* are *monopolized whenever land is monopolized; and the exclusive use to them is bought and sold whenever land* is *bought and sold* (*A Perplexed Philosophe*r, p. 199).

George quotes the jurist William Blackstone who says "The word 'land' includes not only the face of the earth, but everything under it or over it. . . . By the name of land everything terrestrial will pass."

But Spencer, seeking to complicate the question of land-ownership, attempts to make light and air separate 'natural media' to which we have distinct rights. Either he is tying himself up in knots, or else this is a piece of sophistry aimed at making the natural right of every man to the earth qualified by several other distinct rights.

An even greater absurdity that Spencer proposes is that, should the land be nationalised or become common we could never calculate the compensation owed to the landowners. Not only could we not calculate the value of all the past improvements upon the land over generations – which somehow legitimise the present owner's right to the land – but also there is the question of compensation for his *future* losses of income from the land. After all, his claim upon the land rests upon future expectation, not only for himself but for his descendants. Thus Spencer argues that the compensation owed would be incalculable or unaffordable if it could be calculated. George demolishes this absurd argument with exceptional brilliance in Chapter XI in Part Three. I especially recommend this chapter. The same question of compensation for their future losses had been made for slave-owners.

I could cite many other absurdities of Spencer's which George demolishes with the clearest and most incisive reasoning. However, what makes George's critique of Spencer so valuable is his ability to bring to light the true relationships between the rational and the ethical. It is precisely in Spencer's arbitrary confusions of these that his theory of society, human nature, evolution and justice falls apart. On reading Spencer one gets the impression that he will force his evolutionary social theory to make sense no matter what contradictions or absurd distinctions it leads him into.

I daresay some readers have never even heard of Herbert Spencer. That may well be a blessing straight from heaven! The fact that he has fallen from being hailed the greatest philosopher of all time to almost complete oblivion proves, at least, that his theory did not survive as one the fittest! Nevertheless, and despite him being practically forgotten, his mode of thinking is still with us. Not only that, it is a mode of thinking that has a long history and into which a culture is liable to fall at any time if its eyes are closed.

What I mean here is the kind of reductive thinking that seeks to build from the least intelligible. Plato, for example, warns in Book X of his last dialogue, the *Laws*, of the dangers of supposing that matter and blind chance are the origin of the universe. Such a theory, he argues, will lead to the moral decline of a society. It is a recurring theory and not new with Herbert Spencer.

However, the most obvious example of such reductive thinking in our own times, already emerging in George's time, is the reduction of economics to mathematical models, which is to say, to mere quantitative exchanges. Even to the extent that such measurements may be accurate, they actually tell us nothing about either the nature of civil society or economic justice. The reductive approach separates the ethical and purposive aspects of human work and exchange from analysis, while in fact they are the *humanly meaningful* aspects. They are primary. At least in classical political economy ethics remained a key, as in Adam Smith, although Smith's ethics of self-interest is already a distortion and reduction of actual economic exchange. But somehow the ethical slips into the background while the notion of 'legal competition' slips into the foreground and ethics is reduced to merely legal rules. But 'legal competition' is just a variant of Spencer's 'survival of the fittest'. From this way of thinking arises the entity of the international corporation which takes on the legal rights and status of a human person. There is an interesting history in jurisprudence of the 'legal fiction' of the corporate person which can operate with an apparent will of its own.

My point here is that if the mechanics of human work and the ethics of society are conceptually separated from each other, not only do we get a 'fictional economy', we also get a complete dislocation of economics from community and from the natural environment or nature. Persons become mere instruments of production and consumption, skilfully directed through advertising, replaceable by a kind of economic population control. If that sounds too farfetched, then we should remember that precisely such a theory was developed from the social theory of Herbert Spencer. It was already latent in it. The present dispersion of indigenous peoples from the forests by absentee investors is an obvious example. Here we see the status and integrity of George's analysis of Spencer's mode of thinking. The question of justice cannot be deferred to some imaginary future. Neither can it be sought through instant revolution – through 'changing the system' which is just another variant of mechanical reduction. The simple truth that Spencer sought with all his strength to evade was that we are already morally responsible beings. As Thomas Aquinas observed, every human action of ethical. The dignity of human nature lies in its ethical status, where we are each answerable before the court of nature for all our actions. This is the simple truth that always guided the thought and work of Henry George, and the reason he inspired so many in his times. For him, ideologies are evasions of our direct responsibility to the present.

But such responsibility, although our dignity lies in it, is also our burden as human beings. That is the perception writ large in the Greek tragedies. We are at once responsible to truth and to the good. And this means we are by nature called to seek the truth of existence as a whole, and also to live as the social and political species in cooperation with our neighbour – who is all mankind. In other words, as the ethical being we are called to live and act for the common good. Every natural institution of society exists for the common good, and the economic sphere is especially a part of this since it will manifest directly the ethical condition of the culture. If there is economic injustice, then there is faulty thinking embedded in the higher institutions of the culture. And those condemned to live in poverty are deprived of the dignity of their human responsibility.

Those of us familiar with George's proposal of a land tax may wonder why such philosophical speculations are important. Is it not enough to campaign for the implementation of a land tax? Well, George himself saw very clearly why the mechanistic theory of Spencer had to be challenged if there is to be a real understanding of our true relation with the land, not merely as an economic resource, which itself is a false reduction, but as our dwelling place within the greater order of nature. We should not be surprised that the most ancient primitive peoples worshipped the Earth Mother as the source of all life, the goddess to be honoured before all others. While to Spencer such worship was mere superstition, in truth it is rooted in a real relation with nature and our dependence on its abundance. It is a higher ethic than survival of the fittest which is base and crude by comparison. This is the essence of the land question, reaching far beyond economics which has come to see the earth in a purely utilitarian way – as private property or capital to be exploited. Yet, the manner in which we regard the earth will correspond precisely with the manner in which we regard humanity. There is an exact correlation. Act unjustly with one and inevitably we act unjustly with the other. Thus land monopoly is synonymous with human monopoly. Or, to put it the other way round, the way to gain human monopoly is through land monopoly, or what George calls 'wage slavery'. George also observes in history that the decline of any society occurs through the erosion of civil ethics resulting in monopoly. History bears testimony to this truth.

What *A Perplexed Philosopher* shows us with the greatest clarity is that the idea of private property in land has a tenacious hold over the western mind. So much so that all its destructive consequences can be evaded through alternative explanations. Spencer came up with a mechanistic social theory that justified the Victorian industrial outlook and colonialism. His argument is that if each individual seeks his own advantage through industrial society it will inevitably bring about a peaceful society. It is rooted in an extreme individualism which takes no account of community. Or, for him community is nothing else than the arena where each follows their own self-interests. It stands in direct opposition to the state which Spencer believes restrains individual freedom and the survival of the fittest.

To George this was plain delusion. His studies of history showed him that human society is distinguished from that of other species through cooperation and mutual exchange. Alfred Russell Wallace came to the same view in his studies of evolution. This is apparent at every level of society, not just in economics. Yet cooperation and mutual exchange is thwarted at every level if there is land monopoly. Our relation with the earth is fundamental and determinative. Just as the great philosophical and religious questions are always with us, so is the great question of our relation to the earth. No automatic law of evolution will answer it, nor can any defence of the *status quo* evade it. The question belongs solely to our responsibility as human beings. It is a question in which reason and ethics converge. It is therefore significant that George felt compelled brake off work on *The Science of Political Economy* in order to write *A Perplexed Philosopher*.

HGF BRIEFING NOTES

HGF OPEN DAY 2024

Again this year the Henry George Foundation of Great Britain opens its doors in September for The Open Day event.

This usually popular event will be held at Mandeville Place in central London on the 14th of September.

This year's theme and title will be:

Henry George and The Crises of Contemporary Capitalism

The programme including a list of speakers can be found on the Henry George Foundation's website. Here is an outline:

9.30 AM:	Doors open
10.00 - 11.00 AM:	Martin Jacobson presents
11.00 - 11.30 AM:	Coffee
11.30 - 12.30 PM:	Joseph Milne presents
12.30 - 2.00 PM:	Lunch
2.00 - 3.00 PM:	David Triggs presents
3.00 - 3.30 PM:	Tea
3.30 - 4.30 PM:	Beth Stratford presents
4.45 - 5.30/6.00 PM:	Panel discussion

The Open Day will close with drinks and tributes to Peter Bowman, Tommas Graves, Anthony Werner, John Cormack and Mark Wadsworth who each contributed to the work of the Henry George Foundation over many years.

Edward J. Dodson

MONETARY REFORM: GOOD, BETTER, BEST

When I was a young person still in high school, the locker room of our gymnasium had the following message on a sign at the entrance: *Good, better, best; may we never rest until our 'good' is 'better' and our 'better' 'best'.*

As a student working on a master of liberal arts degree many decades ago, I chose as my final project to research and write on the history of monetary systems. Studying this history through the lens of my own experience working in the U.S. financial sector convinced me that the existing system of monetary creation, banking and credit issuance is a fundamental cause of economic, social and political instability. When combined with centuries of landed privilege, the inevitable consequence is the accelerating concentration of income and wealth the world's population is experiencing.

Throughout the last four hundred years (or, actually, the last four thousand years) bankers again and again have shown themselves willing to take inappropriate risks with both their own money as well as deposited money. When public confidence has eroded for any reason, depositors galloped to their bank to withdraw their money before it was too late. The bankers panicked and exercised call provisions on loans they made to people. The borrowers panicked and sold assets in order to raise money to repay the banks. The contraction of economic activity spread. Regions, then nations fell into depression or worse.

After one of the greatest of depressions hit the world in the 1930s, governments in many countries were pressured by their people, generally, and by various vested interests, particularly, to do something to mitigate the potential for this to happen ever again. Even so, there was a great reluctance to admit that the world's central banks (i) either had insufficient tools with which to respond to the global economic problems; or (ii) failed to effectively use the tools they possessed. One of the easiest reforms to introduce turned out to be deposit insurance. Banks would contribute to a fund to be used to guarantee depositors their money could be withdrawn even if the specific bank had insufficient assets to honor the demand. The viability of deposit insurance depended on a combination of appropriately assessed premiums based on regular analysis of bank financial statements, and an understood commitment by the central bank and/or government treasury to act as *lender of last resort*.

Absent what in relatively modern history served as honest monetary creation, namely the issuance of receipts for gold and silver coinage held on deposit, governments in almost all countries passed legislation establishing a government-supervised central bank. The central bank was authorized to print (and, more recently, to create in digital form) central bank notes in whatever quantity the banking authorities deem necessary to meet the aggregate public and private sector needs. These bank notes are the primary form of legal tender used to pay for services and pay taxes, supplemented by whatever non-precious metal coins are minted directly by the government.

What perplexes many reformers (myself included these days) is why a central bank should be in a position to create new money out of thin air, then use this new money to invest in/purchase government securities that yield interest. In this process, government incurs debt that must be serviced and, if not retired, refunded again and again. And, in order to service this debt, the income and assets of citizens is subjected to taxation. Given the escalating level of public debt carried by many governments, one has to wonder where the money will come from to both service debt and fund public goods and services.

An argument is being made by some proponents of *modern monetary theory* that those governments issuing sovereign currency could solve the debt problem by using this currency (rather than central bank notes) to purchase maturing securities from private holders. There is nothing preventing the central bank itself from doing the same thing. This solution meets the 'good' test. The path to 'better', I believe, is to gradually retire all central bank notes and replace them with debt-free currency issued by the government treasury which would then be spent into the economy either directly or by means of grants to lower levels of government and as a universal basic income allocation to each citizen. As Thomas Paine first suggested in his tract *Agrarian Justice*, an annual contribution could be made into a trust account for young persons, accessible when they reach the legal age of competency. However, getting to 'best' as a monetary structure would still require establishing a system of deposit banks.

It must be admitted that the mining of gold and silver in order to create coinage money is a practice that is both environmentally damaging and a waste of natural resources, labor and capital goods. This does not mean that a monetary system attached to a universally-available tangible good is by definition problematic. There are any number of goods that have all or most of the positive characteristics of coinage minted out of precious metals and none of the negatives. One such good (recommended some years ago by economics professor James Buchanan) is the construction brick. Construction bricks are easy to produce, they last almost forever without deteriorating, they have a stable demand in markets everywhere around the globe, they do not require expensive systems of storage and protection from theft, and the process of production is (by comparison to coinage) environmentally sustainable.

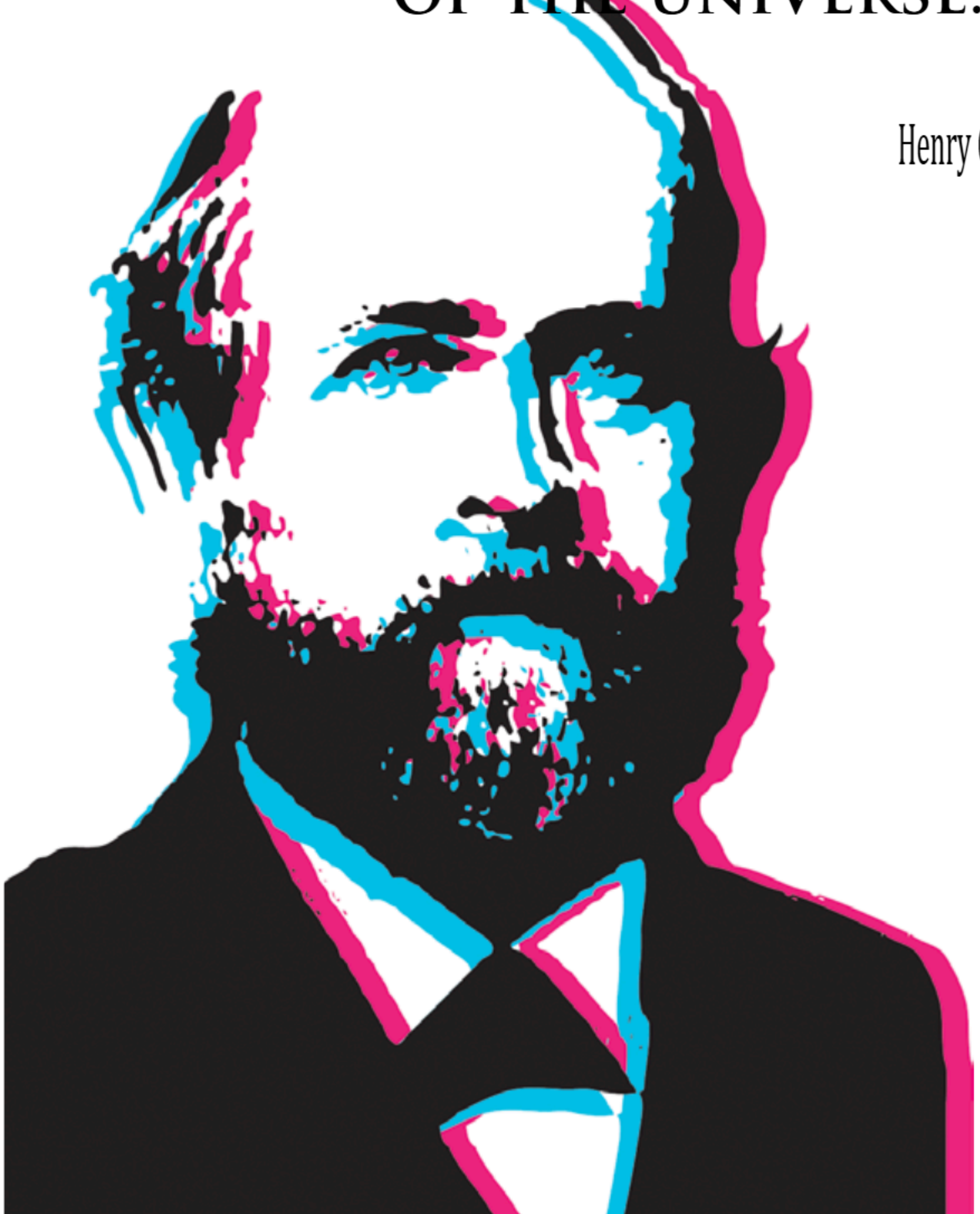
In conversation with a colleague, it was pointed out to me that the demand for construction bricks is declining in the face of less costly more efficient construction materials. So, perhaps, the analysis put forward by Professor Buchanan is now impractical. The issue remains whether monetary units are best denominated in something tangible, something that time has proven to maintain reasonably stable exchange value but without the limitations and problems associated with precious metals. The history I have briefly presented reveals that severing this relationship has proven to establish the conditions that – in conjunction with repeating cycles of boom and bust of land markets – shift all resources, financial resources included, away from productive economic activity in favor of speculation. On the other hand, perhaps what passes for money is less important than how the money supply is created and managed. Paper currency is these days used to a great extent in the underground economy in order to evade the police powers of the state. Most consumer transactions are processed using a debit or credit card. The balance of one party is increased, that of the second party decreased, and one or both parties are charged a processing fee by the card company.

Where does all this leave us? As I am writing this article, I have been sitting in on a series of lectures by someone who has spent the last two decades studying the problems I have described above and what he has learned from the debate over monetary issues between two economists -- Silvio Gesell and John Maynard Keynes. Gesell's position was essentially that money should act as a medium of exchange only and not a storehouse of value. Money should over time be designed to lose its exchange value, at, say, a rate of five per cent per annum. Holders of money would, therefore, has a significant financial incentive to actually invest their money in tangible capital goods and other types of income-producing property in order to prevent any loss in the value of owned assets; and, of course, to generate additional income.

No doubt the times and circumstances have dramatically changed since Henry George offered his own set of insights on what would constitute the most stable, efficient and just monetary structure. Perhaps his most astute observation was expressed in his final book, *The Science of Political Economy*: "The truth is that there is no universal money and never yet has been." So, the search continues.

FOR, SO FAR AS WE CAN SEE,
WHEN WE VIEW THINGS
UPON A LARGE SCALE,
JUSTICE SEEMS TO BE THE
SUPREME LAW
OF THE UNIVERSE."

Henry George, Progress and Poverty



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Our Philosophy

HENRY GEORGE FOUNDATION

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.

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