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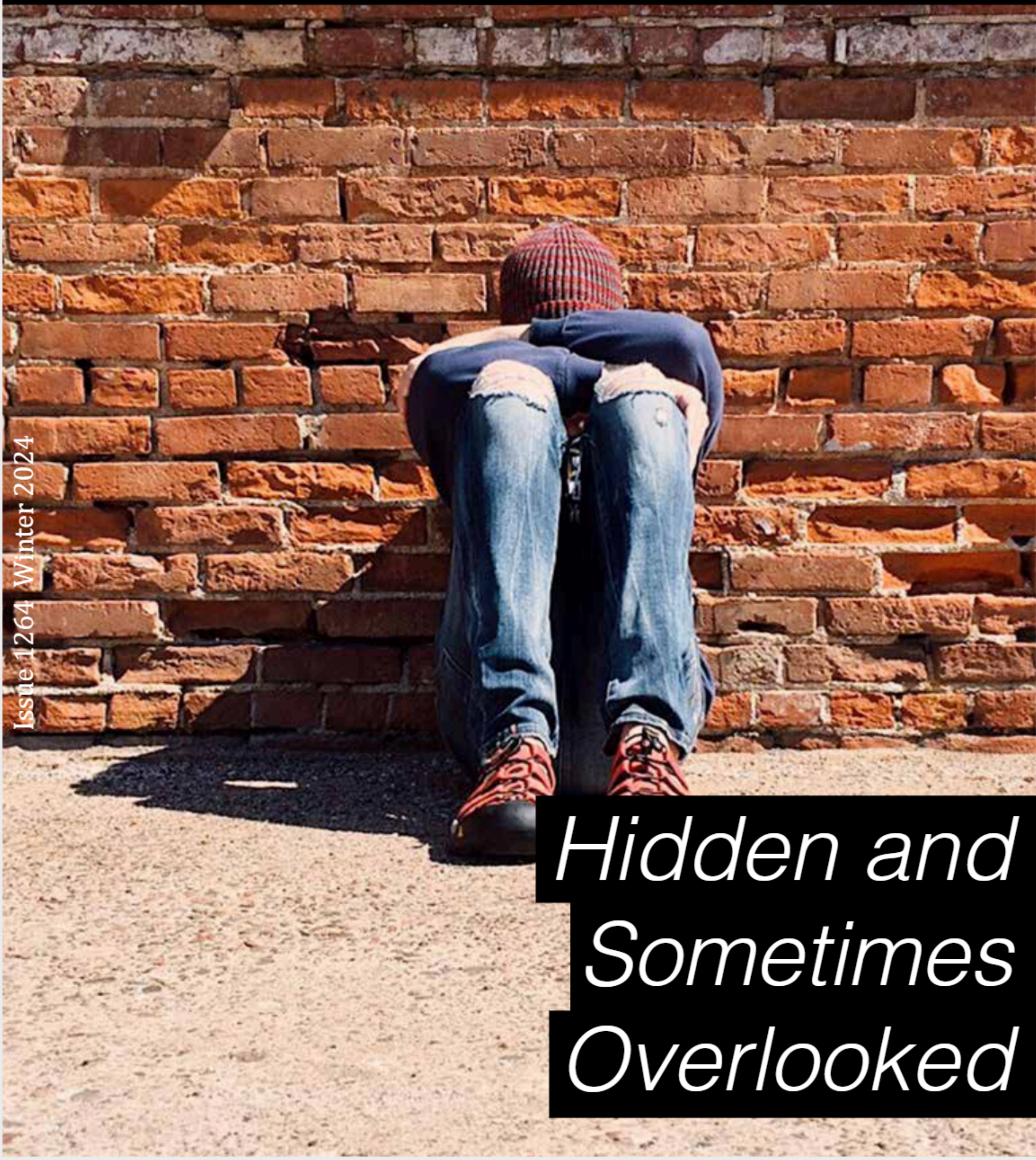

# *Hidden and Sometimes Overlooked*

Ω

**André Winter**

*Henry George And Leo Tolstoy Kindred Souls*

Ω

**John C. Médaille**

*Capitalism, Socialism And Social Capital*

Ω

**Edward J. Dodson**

*No Time To Lose*

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Social reform is not to be secured by noise and shouting; by complaints and denunciation; by the formation of parties, or the making of revolutions; but by the awakening of thought and the progress of ideas. Until there be correct thought, there cannot be right action; and when there is correct thought, right action will follow...

(As usual, the end of the quote to be found on page 19)

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# message from a longtime contributor

Most of the reports and letters about the potential harm of the change in IHT have referred to the fact that the return on capital employed in farming is less than 1%. The cause of the inflated price of farmland is the perverse tax policies of all governments over the last 45 years which have favoured investment in landed property with generous tax breaks.

In 1979 I wrote to the Chancellor, Geoffrey Howe, who was reported to be planning to exempt farmers from Capital Gains Tax when they sold land for development, provided that they invested the money in more land within 3 years. I told him that this would increase the price of land, attract speculators to invest and make it impossible for young entrants to obtain land. Any commodity which is in limited supply and is rising in price always results in further increases in price. A reply from the Treasury told me that the points I made would be noted but the Chancellor went ahead with his plan, no doubt influenced by the farming lobby.

Mrs. Thatcher's Government in the 1980s accelerated the rise in the price of landed property when she sold council houses at give- away prices and allowed banks to provide mortgages. This diverted money away from productive industry and into housing which became a more attractive investment. Since the 1980s the high price of urban houses has contributed to the rise in the price of farms. In the past a farmhouse was insignificant when estimating the sale price of a farm. Now the house may be worth more than half the farm's price.

Until governments accept that the present tax system needs to be radically reformed, all the dreams they have to remove poverty and ensure prosperity for everyone, will always be dreams and never become reality. The detrimental taxes on earned incomes and trade should be gradually reduced and then abolished. The burden of taxation could be placed on the annual rental value of land, urban and rural, which would be sufficient to provide for all the necessary functions of government. Urban land is only about 10% of the total area but it has about 90% of the total land value and would contribute most of the annual rental value.

Increased economic prosperity will be only be ensured through incentivizing the use of land to its optimum potential and reducing the costs of employment and trade.

The government's focus on charging Inheritance Tax on the inflated price of farmland which was caused by interference, through government tax policy, in the market for land, is peevish and will not produce much revenue. The large estates which are owned by family trusts will not be caught, neither will farmers who have already provided for transfer to the next generation and those who have not, have time to start the 7 year avoidance process before April 2026.

The increase in NIC will have a greater impact on farmers than the change in IHT, directly through their own employment costs and indirectly through reducing amount of money consumers will have available to buy their produce.

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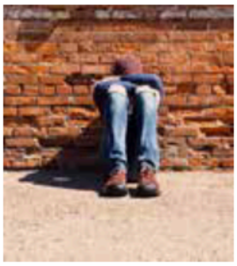
# CONTENTS

issue
1264
WINTER 2024





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# letter from the editor

Christmas is approaching and the various charities for the homeless are appealing for donations. Each year they do all they can to provide shelter and a meal at Christmas, mostly with the help of volunteers. Yet homeless numbers are the highest they have ever been in the UK. According to Big Issue, they are now around 324,990, a rise of 10% on 2023. A large proportion of these are children, and a growing proportion are under twenties.

This is not simply due to a housing shortage, though that plays a large part. A major cause is social breakdown, within families and the larger community, with drug trafficking and drug addiction a large contributing factor. The money involved in drug use in the UK is many times greater than that raised by local authorities and charities for homelessness. Although a major cause of crime, it is also part of social breakdown. Crime and deprivation have always run together in the UK since Victorian times which gave rise to gangsters in the slums. As Henry George observes in *Social Problems*, poverty leads inevitably to crime.

Historians show us how the land enclosures drove the smallholders, cottage industries and villagers into the cities, breaking up the community networks that extended over generations. Economic forces overrode human community, leading to the disembedding of the economy from social relations or control as Polanyi documents on *The Great Transformation*. In different words, individual self-interest replaced social loyalties. The land ceased to be the home of the community and became an industrial commodity. And so alienation from the land becomes the seed of social alienation. No amount of mass production can compensate for this fundamental alienation from the land and its natural support for small communities. The commodification of the land enabled the harsh exploitation of labour, while labour itself becomes a commodity or mere means of mass production. The natural order of things is inverted, with society serving the economy rather than the economy serving society.

Yet nature always seeks to restore the natural balance. The commodification of land and labour may no longer be seen by economists as the root cause of social deprivation and poverty, but human nature itself remains inclined towards community and the common good. So, despite exploitation, working conditions have gradually been improved through the unions and government legislation – both fiercely resisted in the nineteenth century. If there has been progress in society since the industrial revolution, it has largely been through eradicating the injustices imposed upon society through economic exploitation. Advances in technology are secondary.

Despite improvement in working conditions and the enormous increase in wealth, social conditions in the UK are declining. UK local authorities expenditure on social services for 2022/23 was £28.4 billion, the largest expenditure after education. £2.5 billion was on housing, 17.2% higher than budgeted for. The UK illicit drugs marked is estimated at £9.4 billion, three times more than local authorities spend on housing needs. £1.4 billion is spent annually by police enforcing drug laws in England alone, with an additional £733 million across the criminal justice system.

Family breakdown, drug abuse, deprived areas absorbed into drug trafficking and related crimes, especially through recruiting children, all contribute to the general breakdown of community and in particular to homelessness. The homeless, after a short time on the streets, become incapable of social integration or employment.

Before the enclosures the smaller scale communities shared responsibilities for one another, sustained by the church which provided education, hospitals and care for the destitute. In medieval times the land was regarded as sacred. Church and community were integrated, unlike our modern bureaucratic local authorities. We have no secular equivalent of the church, apart from the charities spontaneously created by private citizens. The church in the UK is more preoccupied with identity politics and reparations for slavery than it is for the immediate crisis of community. It has itself become alienated from society.

It may seem a long stretch of the imagination to link the present crisis of homelessness to the land question. Charities such as Shelter or Centre Point almost make the link by arguing that the housing crisis is due to buyers consistently out-bidding each other and so driving up the price of homes. They observe that buyers regard a home as a 'property investment' rather than setting up a household. In this sense they are right. Society in general is implicated in land speculation. If a land value tax is proposed, the first question people ask is 'how will that effect the value of my house?'

Growing homelessness in a wealthy society indicates a decline in collective responsibility. Recent research shows that social media contributes to social alienation. It is a poor substitute for real human association.

Can we really trace all this back to the land question? What is clear is that the way a society understands its relation with the land will determine its economy, its laws and institutions, and the well-being of its citizens. This is equally true for primitive society as for high civilisation. In Henry George's words: "Political liberty, when the equal right to land is denied, becomes merely the liberty to compete for employment at starvation wages. This is the truth that we have ignored. And so there come beggars in our streets and tramps on our roads."

*

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# CAPITALISM, SOCIALISM, AND SOCIAL CAPITAL

**CONTRARIES AND COMPLEMENTS**

The political and economic debates of the last two centuries have, for the most part, come down to a contest between "capitalism" and "socialism," with the former identified with "free markets" and the latter with "state planning." As such, they are treated as "contraries," that is, things that cannot exist together because one term negates the other. But there are grounds to doubt whether this is actually the case. Indeed, when we look at any actual economy, we never see either capitalism or socialism standing alone, but always "side-by-side." This should lead us to suspect that they are not contraries at all, but rather *complements*, things which might appear to be opposites, but which are actually necessary for a complete description of something. For example, one cannot give a complete description of "humanity" without including a description of "man" and "woman."

If capitalism and socialism are indeed complementary, then no description of any economy can be complete without accounting for both elements. This lack of a comprehensive description, one that includes both terms, is enough to explain the fact that we never see a purely "market" economy nor a purely socialized one; every actually existing economy includes both elements in varying proportions. Hence both terms are necessary to describe any actually existing economy. The problem then becomes one of determining just what the proportions of each element should be, that is, determining which goods should be "market" goods and which goods should be socialized. I suggest that the standard of judgment should always be, "which combination, in this particular set of circumstances, leads to an increase in social capital?" For, as we shall see, it is social capital which is the primary capital for all economic and political life.

But before we can deal with the question of social capital, we must give an accurate definition to both terms, capitalism and socialism, for the simple reason that the way these terms are used have become completely disconnected with what they actually are.

**CAPITALISM**

Capitalism appropriates the language of "free markets," "limited government," and "private property," but in all actually existing capitalist economies we see a retreat of the free market and a vast expansion of government into every area of economic and social life. And even "private" property in capitalism is not what it claims to be. We need to look at each term in itself to understand how these strange contradictions come about.

**FREE MARKETS**

"Free markets" are characterized by vigorous competition in every sector of the economy; for every commodity or service, production is distributed among a large number of firms such that no firm has any market power, especially pricing power. That is to say, they are all *price takers*, accepting whatever price the market offers, rather than *price makers*, with enough power to set prices. Indeed, all free-market theorizing is rooted in this idea of competitive pricing, an idea which assumes a vast number of firms for each commodity. But when we look at actually existing capitalist economies, we see the opposite: production is concentrated in a few firms resulting in highly collectivized systems of production and distribution. In whatever market sector, from beer to banking, from energy to entertainment, we see vast cartels controlling the market, with most markets dominated by from two to four corporate collectives. Defenders of the system might respond that even two firms are enough for a market to be "competitive," but this is naïve. The logic of maximum profits dictates that firms compete where they must but cooperate where they can. And in markets where there are few suppliers, acting as a cartel is far more profitable than price competition.

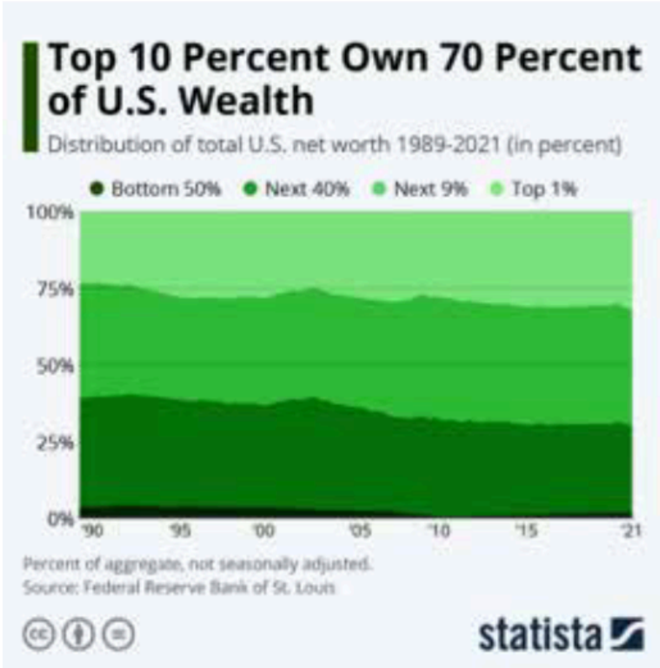
The inevitable result is what we actually see: Capitalism has always been the enemy of the free market and wherever capitalism advances, the free market retreats, as all production is gathered into vast corporate collectives.

**LIMITED GOVERNMENT**

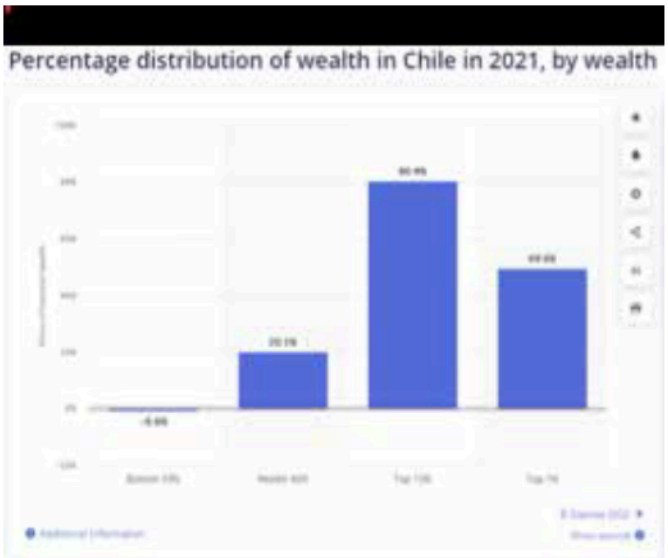
If the "free market" claims of Capitalism turn out to be unsupportable, even more dubious is the claim to "limited government." The indisputable historical fact is that the scope and power of governments has grown alongside the growth of the corporate collectives. In fully capitalistic economics, the government appears both more extensive and intensive than ever, fully rivaling communist governments in scope, scale, and power.

The reasons for this are not hard to discover. Prominent among these reasons is the fact that the *summum bonum* of capitalism is the increase in profits, and the easiest way to do that is to externalize the costs of production. But for that, you need a government with sufficient scale and taxing authority to bear all the externalized costs. Two examples will suffice, one from Great Britain and the other from the United States. In Britain the "Liberal" (that is, "libertarian") party gained control in 1832. Despite its anti-government rhetoric, the power of the government actually expanded faster than at any in English history, with the possible exception of the Norman Conquest. The new capitalist enterprises required a vast expansion of the physical infrastructure, a huge information gathering bureaucracy, and above all an expansion of the Royal Navy to support colonialism, the backbone of the new economy. Of course, the capitalists who benefited from this expansion did not bear the costs, which were placed on the general public.

Much the same thing happened in the United States after the Civil War. At first the increased costs of this expansion could be borne by increases in tariffs, but the growth of government exceeded that source, so an income tax became a requirement by the early 20th century. One concrete (literally) example of this externalization of costs is the American "free"way system, which of course is anything but free. But the costs are not borne by the cost causers through weight and distance tolls, but by a combination of fuel taxes, and federal and state subsidies. And since most fuels are burned on city streets and rural roads rather than on the highways, these users subsidize the freeways, even when they don't use them. And of course the biggest beneficiaries of these subsidies are those who make most use of the highways, namely the corporate producers and retailers, and the greater the distance between the place of the production of a good and the place of its consumption, the greater the subsidy. Indeed, without subsidies to the transportation system, including the highways, seaports, and airports, "globalization" as we know it simply could not exist.




The list of externalized costs could be expanded, but this much is clear: capitalism is not a free market system, but one whose very existence depends on big government and the opportunities for externalizing costs that big governments provide. Regardless of what capitalist theory states, this system of subsidies has *always* been the reality of actually existing capitalisms, and there are simply no counter-examples in the entire history of capitalism.




**PRIVATE PROPERTY**

Perhaps no issue arouses such passion as the issue private property, and for good reason. Property is proper to man, and indeed it is difficult to live without some property. But the question is whether property, although in some sense a natural right, has any natural limits. "Private" property has long been considered an *un*limited right, such that each man can have as much as his wits can acquire, even to the extent that in theory, one man (or woman) could own it all. And herein lies the problem, since property is always about *physical* things, and physical things are also *finite* things, meaning that it is a zero-sum game: the more one owns, the less there is for others to own.

And this concentration of wealth under capitalism is a real problem. In the United States, the top one percent owns 32% of all wealth, while the top 10% owns 70%, leaving only scraps for the bottom 90%, and practically nothing for the bottom half of the population, which owns only 2.6%. These are the kinds of disparities that feed the anger of both the "Bernie Bros" and the "Trumpenproletariat." The numbers in Chile are even more stark, with the top one percent of the population owning almost 50%, the top 10% owning 80%, while the bottom 50% shares a *negative* 0.6%.


And yet, for all of the passion poured in the arguments over private property, the plain fact of the matter is that it plays very little role in the economy. Most of the heights of the economy, the factories, banks, distribution chains, etc., are owned not by private individuals, but by corporate *collectives*. Of course, one might argue that since the collectives are "owned" by their shareholders, it is still private property. But I think this is an abuse of language. A person who owns a share in IBM does not 'own' the property of IBM in any meaningful sense: he cannot enter the property, he cannot sell it, or direct its usage. What he "owns" in owning a share is no more than the right to receive a share of whatever dividends the directors care to distribute, and a right—usually not exercised—to vote for the directors. But to say that he owns the property of IBM as a "private" property is simply false. That property is owned collectively and managed, like the property of all collectives, by a class of professional managers.

**SOCIALISM**

As we ended the discussion of capitalism with the collectivization of the economy, perhaps it best to start the discussion of socialism right there. For the form of socialism that most people fear, and fear rightly, is the one that leads to the collectivization of the economy, the form of socialism known as "communism." But just as capitalism is not the free market, socialism is not the collectivized market; that would be communism. Communism promised the "ownership" of the collectives to the workers, but just as capitalism cannot deliver ownership to the shareholders, communism cannot deliver it to the workers.

Both systems end up with a collectivized economy, with a group anonymous "owners" (either "shareholders" or commissars) but with real control in the hands of a class of professional managers. Collectives, whether capitalist or communist, separate ownership from use and capital from labor.

But a proper "socialism" will unite these things. As Pope St. John Paul II put it:

*Thus, merely converting the means of production into State property in the collectivist system is by no means equivalent to "socializing" that property. We can speak of socializing only when the subject character of society is ensured, that is to say, when on the basis of his work each person is fully entitled to consider himself a part-owner of the great workbench at which he is working with everyone else.* (*Laborem Exercans*, 14)

The great problem then with communism is that it resembles nothing so much as capitalism. Or as Slavoj Žižek observed, "Communism failed because it was the ultimate capitalist fantasy": Both systems end up with a collectivized economy operating under an expansive and intrusive state and an ever-narrowing space for private enterprise. And I believe that it is safe to say that capitalism will fail if it cannot reverse its slide into the complete collectivization of the economy and the social order.

**MARKET GOODS AND SOCIALIZED GOODS**

But just as capitalism is not really about "free markets," socialism is not really about collectivized ones. Rather, it is the simple recognition that not all goods are market goods, and that some goods are of necessity socialized. At one level at least, no one really doubts this. For example, when we call the fire department, we don't expect to have our credit cards handy; we expect this to be a service provided on demand and without cost. And at the same time, very few people think that all goods should be socialized in the way the fire service is.

Markets allocate goods on the basis of the ability to pay, and those who can't pay don't get the goods. And for most of the things we use most of the day, this is a perfectly just and adequate system. Who will get the better iPhone or the more fashionable clothing is a decision that we may safely leave to the market. And even basic commodities like food are generally market goods, since even the most exploitative employer must pay his workers subsistence or they simply won't, or rather can't, work, and hence we only need socialized systems for these commodities to the extent that people can't work, either because no work is available or because they are incapacitated.

But there are a large class of goods which are not and should never be purely market goods, reserved to those with the means to purchase them. Healthcare, for example, or education. To allocate either by the ability to pay is to condemn the bulk of society to disease and ignorance. Aside from any moral considerations, this can only result in a sick and ignorant society, incapable of competing in a modern economy.

The problem then is not to decide between socialism and markets, but to decide which goods need to be socialized and which are more properly left to the market; what is required is a standard of judgment upon which we can make this decision.

**MARKETS ROOTED IN SOCIAL GOODS**

If what has been said so far is correct, as I believe it to be, then it should be obvious that markets and socialism are not things opposed, not contraries, but things that depend on each other, complements. But we can go further to assert that *all* markets depend on some level of socialized goods.

For example, it really doesn't matter how good you are at making a product if there are no roads to take it to market; you will not be successful. If each entrepreneur had to drill his own well, dig his own latrine, educate his own workers and customers, provide his own police protection, ensure the safety of his food supply, or replace the dozens of other socialized services we depend upon, he would have no time to attend to his business. All business depends on vast and complex infrastructures being in place *before* one can invest in any purely market endeavor.

A strict libertarian might respond that competitive markets could provide all of these services, but this turns out to be an exercise in infinite regression: in order to establish a "private" police force, all the other services must already be in place. But for these services to be in place, there must be a police force. And further, even if these services could be privatized, they still would not be competitive market goods; they would merely be monopolies. "Competitive" police forces are normally called "gangs," and in

place of taxes they collect protection money. Nor could you have four or five competing sewer lines in the streets, nor competing highways along the same routes. So while the libertarian may be able to contribute some important things to the discussion of existing market order, he can say nothing about the origins of that order. The fundamental reality remains: Markets and socialism are complements; socialized goods depend on markets to be funded, but markets depend on socialized goods to exist at all.

**SOCIAL CAPITAL**

But all of the complex physical and bureaucratic infrastructures are themselves merely the physical signs of a far deeper and more fundamental "capital," namely social capital. Social capital is that sense of community and sharing that binds us together into a common family. It is the values we share and the sense that we are all "in this together." Without social capital, no community is possible and no problem, no matter how trivial, can be solved. But when the social capital is strong, no problem is too large. Hence, all economies must be evaluated not by the wealth they build for some, but by the sufficiency they provide for all.

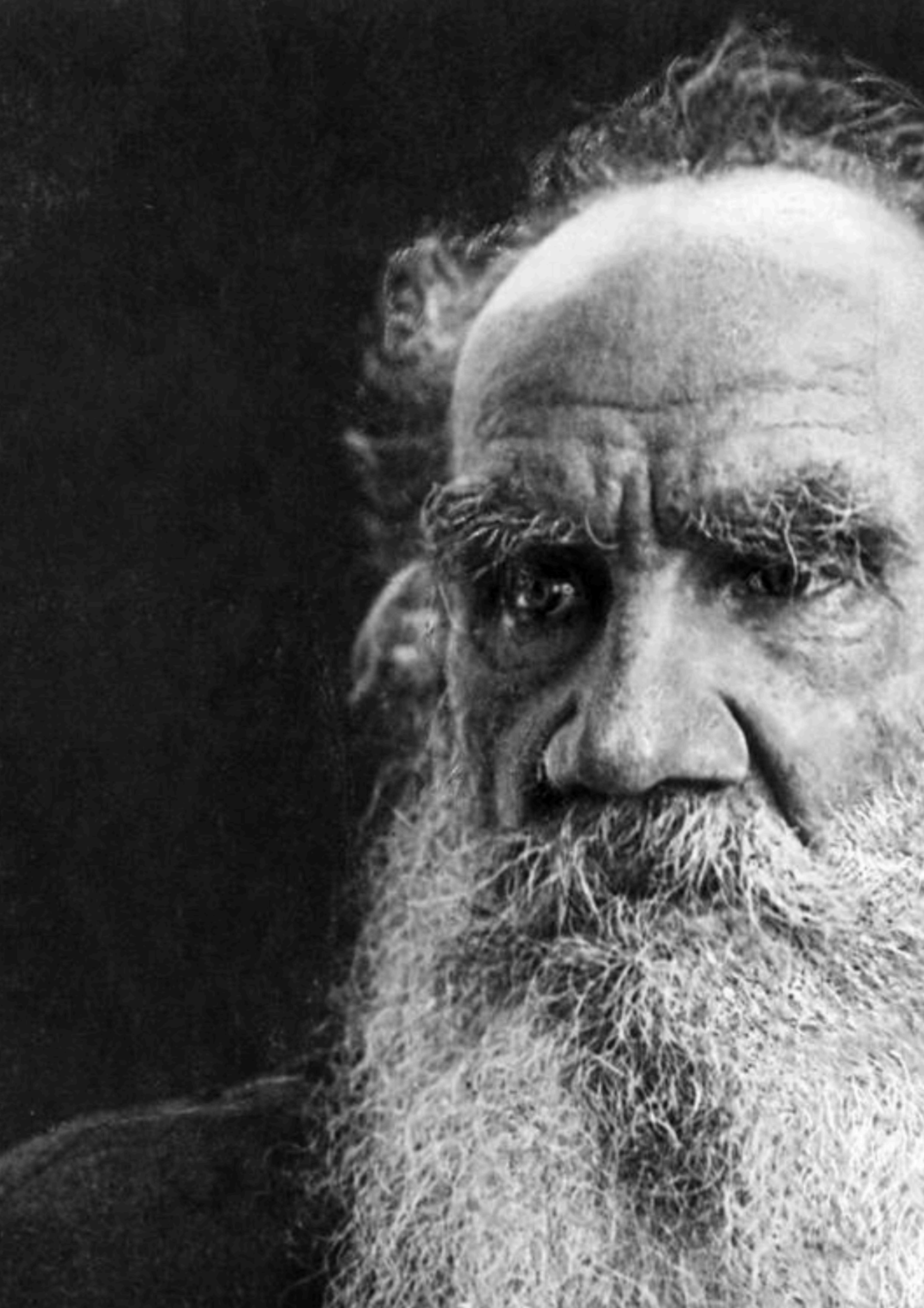
The fact of the matter, and it is a fact we see every day, is that a society can be very rich but at the same time very dysfunctional. This is due in no small part to the fact in judging economic and political systems, we measure all the wrong things. If our wealth is increasing, but more and more people are self-medicating with drugs, alcohol, and sex, then the economy is failing no matter what the Gross Domestic Product (GDP) numbers tell us. It is precisely these social indicators that tell us the true state of our economic community. And we can confidently predict that sooner or later, the GDP numbers will fall with to the level of the social indicators.

This gives us the standard of judgment for deciding which goods should be market goods and which should be socialized. This is a judgment that will vary with particular circumstances. For example, in a society where the knowledge of medicine is basic and widely shared, it can likely be a market good. But in societies, like ours, where medicine is complex and its knowledge limited to a class of specialists, it must be a common good, if good health is to be maintained in individuals and good order within society.

Social capital is under attack today as our society becomes ever-more "individualistic" and as we relate more and more to our electronics and less and less to our neighbors, who have now become our competitors. And there are too many, too driven by the crude philosophy of capitalism, of profit-maximization as the only goal of economic activity, who are adept at using these new technologies against us, at using them to make more isolated, more hedonistic, more insecure, and more neurotic.

Everyone, or nearly, agrees that we must address this problem, but we cannot address it at all unless we first recognize that our first duty is to restore the social capital that ultimately binds us together.

To sum up, we can say that neither markets nor socialism can build either a just or even a functional order; both are required, and required in combinations that will depend on the particular circumstances of each society. But the judgment as to which combination is right for these particular circumstances will always be dependent on which combination best builds up our social capital.



André Winter

*André Winter helped assemble the 'Faith in Capitalism' Collection at Gladstone's Library and authored the catalogue*

# HENRY GEORGE AND LEO TOLSTOY *KINDRED SOULS*

In 1881 two years after Henry George had published *Progress and Poverty* on the other side of the world in New York, the Tolstoy family moved from their Yasnaya Polyana country estate to Moscow largely to improve their growing children's access to formal education. Later in an autobiography, Countess Sonya Tolstoy wrote of the impact this move had on her husband writing, *"Now that he was away from the country and nature, the impressions of town life, which he had forgotten, but which now came fresh to him, with its poverty on the one side and its luxury on the other, threw him into despondency"*. Tolstoy's wife's words chime with those of Henry George in his introduction to *Progress and Poverty* where he writes, *"It is as though an immense wedge were being forced, not underneath society, but through it. Those who are above the point of separation are elevated, but those who are below are crushed down"*.

A year after arriving in Moscow, Leo Tolstoy volunteered to take part in the Moscow Census of 1882 which took place over three days that January. The census-takers were divided into teams and assigned to different districts with Tolstoy's group responsible for the very poor inner-city Khamovniki ward not far from the wealthier area where he lived. In addition to the number of people with their age and gender, data was also collected on where people lived, their occupation, income and even religious faith which was later compiled into various reports published by the City Printing House. Tolstoy did not wait for these official reports and wrote an account of his own titled, *On The Moscow Census* which appeared on the front page of a prominent city newspaper the night before he presented it at the city's Duma. The following extract from Tolstoy's essay gives a feel for both his deep emotional reaction to the abject poverty he encountered, and his fervent call for a resolution to the grave iniquity.

*"Why can we not think and hope that the cells of our society will revive, and bring the organism to life? We do not know in whose power the cells are, but we know that life is in our power. We can manifest the light which is in us, or we can put it out. Let a man come at the end of the day to the Lyápinski night lodging-house when one thousand insufficiently clad and hungry people are waiting in the cold to be let into the house, and let this one man try to help them, - his heart will bleed, and he will with despair and resentment at men run away from there; but let one thousand people come to those one thousand people with the desire to help them, and the work will be easy and pleasant. Let the mechanics invent a machine with which to lift the burden which is choking us, - that is good; but while they have not yet invented it, let us in foolish, peasant, Christian fashion heave in a mass, - maybe we can lift it. Heave, friends, all together!"*

Sadly, neither Moscow's wealthier citizenry nor the City's Duma rose to the challenge, but Tolstoy refused to let the matter rest even though Sonya could see the burden of inequality weighing heavily on her husband's mind, heart and Soul. Over the next four years, Tolstoy continued to develop his thoughts on social and economic justice which came to fruition in his 1886 treatise, *What Then Must We Do?* also variously translated as *What To Do?*, or *What Is To Be Done?*. It was during this period that Tolstoy first encountered Henry George's work reading first *Social Problems*, then *Progress and Poverty* in 1885 with both books having a profound and enduring impact on him. Tolstoy's work draws its title from the question posed by the crowd to John the Baptist, "*What then must we do?*" if we are to find favour with God (Luke, Ch 3, vs 10) and then proceeds to reflect on Tolstoy's earlier experience of the 1882 Moscow Census. After setting the scene, Tolstoy considers the role of money, together with the division of labour and ownership of land, although at this stage not perfectly grasping George's Single Tax concept. Nevertheless, in Tolstoy's work, we read, *"Henry George proposes to declare all land the property of the state, and to substitute a land-rent for all taxes, direct and indirect*" which is quite a thought demonstrating the global reach of George's Progress and Poverty within a decade of its publication in 1879, bearing in mind the language gap too.

The similarities between George's *Progress and Poverty* and Tolstoy's *What Then Must We Do?* run deep with a strikingly similar religious moral vein running through both at first sight, economic texts. George had been spurred by the deep prolonged recession in America from 1873-79 and Tolstoy by the Moscow Census with both men reacting strongly to the deep scourge of inequality blighting society. They each saw this through the prism of Christ's teachings, notably his Sermon on the Mount with its Lord's Prayer invoking his followers to strive for God's Kingdom, "*On Earth, as it is in Heaven*". Indeed, we recall George's rousing "*Thy Kingdom Come*" speech in Glasgow City Hall on Sunday 28th April 1889 in which he urged his listeners to believe in this possibility. A linguistic review of the two works might also prove instructive here using the number of occurrences of the word *Soul* as a measure of their religiosity for comparison with other well-known texts addressing the workings of the economy.

We find the word *Soul* 12 times in *Progress and Poverty* (1879) and 14 times in *What Then Must We Do?* (1886), whereas it is entirely absent from Adam Smith's *Wealth of Nations* (1776), John Maynard Keynes' *The General Theory of Money* (1935) and Thomas Piketty's *Capital in the Twenty-First Century* (2020). In fairness to Adam Smith, it does feature 4 times in his *Theory of Moral Sentiments* (4 Editions from 1759 to 1790) which should be seen as an essential ethical counter-balance to *Wealth of Nations*. Both George and Tolstoy were themselves kindred souls in seeing the importance of interweaving natural law with their discourse on economics, as evident from the two quotations below.

First George, *"And so in society, as at present constituted, men are greedy of wealth because the conditions of distribution are so unjust that instead of each being sure of enough, many are certain to be condemned to want. It is the 'devil catch the hindmost' of present social adjustments that causes the race and scramble for wealth, in which all considerations of justice, mercy, religion and sentiment are trampled underfoot; in which men forget their own Souls and struggle to the very verge of the grave for what they cannot take beyond"*.

And Tolstoy, "*Town life, which had seemed strange and foreign to me before, now became so repulsive that all the pleasures of the luxurious life I formerly enjoyed became a torment to me. And try as I would to find in my Soul some justification for our way of living, I could not without irritation behold either my own or any other drawing room, or any clean, elegantly laid table, or a carriage with well-fed coachmen and horses, or the shops, theatres and assemblies. I could not help seeing beside them the hungry, cold downtrodden inhabitants of Lyápin House. I could not escape the thought that these two things were connected and the one resulted from the other*".

Whilst Tolstoy's *What Then Must We Do?* falls short of George's rigorous economic analysis in *Progress and Poverty*, Tolstoy shares his visceral rejection of gross material inequality grounded in Christian ethics. In January 1888, George quoted extracts from Tolstoy's *What Then Must We Do?* in a feature article for his weekly Single-Tax newspaper, *The Standard*, under the title, *Charity and Justice*, further revealing their commonality of thought.

George and Tolstoy started a written correspondence in 1891 and the letter from Tolstoy to George reproduced below which was penned in English during 1896 gives an idea of the warm relationship between the two men.

Moscow, 27 March, 1896

*"Dear Sir,*

*The reception of your letter gave me a great joy, for it is a long time that I know you and love you. Though the paths we go by are different, I do not think that we differ in the foundation of our thoughts.*

*I was very glad to see you mention twice in your letter the life to come. There is nothing that widens so much the horizon, that gives such a firm support or such a clear view of things, as the consciousness that although it is but in this life that we have the possibility and duty to act, nevertheless this is not the whole of life, but that bit of it only which is open to our understanding.*

*I shall wait with great impatience for the appearance of your new book, which will contain the so much needed criticism of the orthodox political economy. The reading of every one of your books makes clear to me things which were not so before, and confirms me more and more in the truth and practicability of your system. Still more do I rejoice at the thought that I may possibly see you.*

*My Summer I invariably spend in the country near Tula.*

*With sincere affection,*
*I am truly your friend,*

*Leon Tolstoy."*

The new book Tolstoy was referring to in the letter was George's *The Science of Political Economy* which was to be five volumes of which four were completed before his untimely death following a heart attack during the New York Mayoral election campaign in 1897. Sadly, this also meant that the meeting between the two men being mooted at the end of the letter never took place. However, George's ideas were now firmly planted in Tolstoy's mind, heart and Soul as expressed in his last novel, *Resurrection*, completed in 1899 and in his essay, *A Great Iniquity*, which lauded George's solution to the 'Land Question'. The latter was published by *The Times of London* on Tuesday 1st August 1905 and subsequently expanded by Tolstoy into a book-length essay published under the same title. During his final years, Tolstoy included extracts from George's works in his series of Calendar Books, or wise sayings for every day, including the following quotation:

*"The poor ye have always with you" If ever a scripture has been wrested to the devil's service, this is that scripture.*

This extract was from George's *Social Problems* (1883) and underlines the religious underpinning of his work which was so much at one with Tolstoy's view of the world.

Whilst the cruel turn of fate prevented George from visiting Tolstoy in Russia, his son, Henry George junior, did manage to visit the now eighty-year-old Tolstoy at his Yasnaya Polyana home near Tula in June 1909. The following moving account which appeared in the English Daily Chronicle records his account of the meeting:

*Mr George states that age evidently has placed its hand heavily on the great master, yet he appeared not so feeble as delicate. The eyes revealed the keen, buoyant spirit within. As one of the ornaments of Tolstoy's study, Mr George noticed his father's portrait holding a place of honour on the wall. "He was my friend", said the great writer. Tolstoy talked of death. He did not expect to live much longer. "Tomorrow I die," he said with a sweet smile. "Meanwhile I have another book to write". Asked what the book was about, he said it treated of moral questions, and not of political economy.*

*This led him to talk of Henry George's teachings, and he handed Mr George a manuscript giving his ideas on the social, governmental and the revolutionary conditions in Russia today, as well as showing the vigour and hope lighting up the wonderful old man's mind. In the manuscript was this remark: "The land question is, indeed, the question of the deliverance of mankind from slavery produced by the private ownership of land". Among the numerous questions touched by Mr George was England's concern about national defence. "Navies," said the Sage, "are not necessary to people who desire to be at peace, but only to people who wish to rob and murder. All this building of warships is a sign that people who have power are preparing to go off on new expeditions to rob and murder".*

*Another side of this wonderful old man was exhibited when Mr George asked what he thought of his own novels. "I believe I have forgotten what they were about", was the answer. "Then", said Mr George, "I can promise you a great treat if you will read them". The day was closed with melody, Tolstoy listening to the subdued notes of the Russian guitar. His comments revealed in the old man of 81 the active spirit of the poetry and romance that had created his great novels. When Mr George was leaving Tolstoy said: "This is the last time I shall meet you, I shall see your father soon. Is there any commission you would have me take him?". "Tell him the work is going on," said Mr George. Tolstoy nodded, and Mr George departed feeling, as he says, that he had been privileged to talk to the greatest man on earth.*

Tolstoy died the year after Henry George junior's visit and his passing from this life was marked by echoes of the display of public warmth towards George thirteen years earlier when an estimated 100,000 or more mourners lined the streets of New York for his funeral procession. Similarly, thousands of mourners flocked to Tolstoy's burial at Yasnaya Polyana, despite the authority's refusal to put on more trains from Moscow. Both George and Tolstoy were courageous crusaders against social injustice and inequality and clearly deeply appreciated by the people whose lives they sought to improve through their writings. They were indeed kindred Souls with a shared commitment to help remake *God's Kingdom, On Earth as it is in Heaven*. One would imagine that more than a century after their passing, both George and Tolstoy would be heartened that their important unfinished work is still going on.

# BOOKS WORTH READING

*- by Toby Burtt*

*The Trading Game* by Gary Stevenson is an autobiographical tale of the moral awakening of a young man in the banking industry in London. It traces how he begins to see the wealth gap between the rich and poor becoming increasingly wide. Exposing the injustice of the wealth and taxation system has now become his life's work. Before that is the story of how he arrived at this realisation. While he was making millions of pounds for himself and even more for the investors, his friends and their families in another part of London were struggling to pay their rent and feed themselves.

The autobiography begins by recounting a veiled threat to the author, as if coming from a Mafia boss. But it was not from the Mafia, but from a manager of Citi Bank in the UK. Stevenson had worked his way into a high paid trading role at Citi Bank after the financial crash of 2008. His background was different from most of his contemporaries, as he points out. He was from a poor background from the East end of London. He could see the concentrated wealth of Canary Wharf and its skyscrapers while growing up in his hometown. He was exceptionally good at maths at school and went to the London School of Economics for his university education. His dream was to study hard and get a well-paid job in a bank. The difference between himself and his fellow students was that he was not from a wealthy, well connected family. This would have been the traditional way into a well-paid banking job.

However, his streetwise nature and experience enabled him to win a trading game run by a bank and secure a work placement. The game was basically a card game. His peers did not have this streetwise nous that he emulated from market traders, shouting their prices to draw confidence. This was like poker with the other players all being rather naïve. As he has said elsewhere, 'if you don't know who the idiot is at the poker table, you're the idiot!'. This is a cutthroat world. The story continues and he secures employment, mentoring within the industry and soon achieving financial success.

The financial success he experienced in his early twenties separated him from his childhood friends and almost everything else in his life. The commitment, responsibility and fear of failure in gambling with vast financial sums belonging to faceless and powerful corporations makes his work all consuming. As his wealth grew, the more withdrawn from his friends and society he became. Stevenson recounts how his wealth led to financial and social isolation, and he sees how wealth divides society between the haves and the have nots. His account, written in plain language, draws the reader into the world of high finance and its corrupting power. The book becomes a kind of confession, not only his own but of many others who get trapped by the system that employs them.

Stevenson's journey leads to the awakening of a moral consciousness and to seeing how the huge wealth-divide in society is progressively getting worse. He understands how his own success was part of the problem. He was among the 30 millionaires who signed an open letter to the Prime Minister, Rishi Sunak, offering to pay higher taxes and suggesting that this is the way to fix wealth inequality in the UK.

Stevenson now operates a YouTube channel called *Gary's Economics* where he discusses wealth inequality and taxation. He also occasionally writes for *The Guardian*. He was quoted by Angus MacNeil MP in the Budget debate 12 March 2024. The MP pointed out that, as with previous economic stimulus in the US and the UK, this stimulus would not benefit the people who need it but it only the wealthy who would use it to increase their ownership of land.

The success of the book made it a number one bestseller when it was released and the biggest selling number one book at the beginning of 2024.

# HGF BRIEFING NOTES

**FRIDAY MEETINGS**

With 2025 fast approaching our Friday Study Groups are very much alive and well. The meetings are to be joined digitally via the 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.

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.

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

Meeting ID: 879 4440 8537
Passcode: 603155

# HGF BRIEFING NOTES

**REPORT ON HGF OPEN EVENT**

*- by Gavin Kerr*

The first talk of the day was from Beth Stratford, a freelance economist, founder member of the London Renters Union, and Honorary Research Fellow at UCL. Beth began her extremely informative and engaging presentation “Rentier power on a finite planet: theoretical origins, future implications”, by providing an overview of the main differences between the idea of rent developed by classical economists like Adam Smith, David Ricardo, and John Stuart Mill, and the modern conception of economic rent which has replaced the earlier classical idea (at least among mainstream economists). After briefly highlighting the deficiencies of the modern conception of rent, Beth identified a variety of forms of rent extraction prevalent in modern, industrialised societies and explained how the explosion of rent extraction has generated a vicious cycle in which economic actors are incentivised to seek rents rather than profits deriving from productive investment. This destructive dynamic impoverishes workers, disempowers consumers, and compels society to seek to maximise economic growth, causing further environmental harm and preventing us from taking steps to adapt to a resource constrained world. Beth nevertheless finished on a positive note by identifying a range of policies which could start to break the vicious cycle of rent extraction and disempowerment, emphasising the success which can be achieved by grassroots organisations such as the London Renters Union.

We heard next from Martin Jacobson, a political theorist and philosopher who has recently graduated with a PhD in political science from Uppsala University. Martin began his provocative and insightful talk “Georgism and the liberal theory of class” by outlining the radical libertarian view that so-called ‘free market capitalism’ is not in fact a free-market system ‘reined in’ by a thin layer of regulation, but is, rather, a fundamentally extractive system in which every aspect of the economy is subject to distortive and exploitative privileges and monopolies which undermine the free market, thereby enabling firms to offset competition and generate monopoly profits while socializing risks and costs to taxpayers, consumers, and workers. Against this analytical backdrop, Martin then explored the relationship between anarchism and Georgism, arguing that while anarchists certainly have much to learn from Georgism (most importantly, that landlords have the power to appropriate whatever remains of the productive surplus after other monopolists have taken their cut), Georgists could also learn from the anarchist tradition. Following the anarchists, Georgists would be wise to take seriously the danger of state capture and domination by special interests, which could occur even in the context of a ‘Georgist’ society in which the full rent of land is socialised. Martin closed by raising the question of whether a solution to this problem might be found in the democratic distribution of land rent via a universal basic income.

After enjoying our lunch, we heard from Joseph Milne, a retired lecturer in religious studies and medieval philosophy at the University of Kent, and well-known among HGF members as the editor of *Land&Liberty*. In his fascinating and profoundly thought-provoking talk “Economics and the Common Good”, Joseph first outlined the premodern holistic view of society as a harmonious system aligned rather than at odds with human nature, and grounded on the fundamental virtue and character of the citizens of which it is composed. Joseph then explained how this conception of society had broken down by the 15th century, and was then buried beneath the mechanistic and atomistic philosophy that followed the scientific revolution, which elevated the individual over the community. The sense of community has been further undermined, Joseph suggests, by the fear of being dispossessed of one’s property, a fear which naturally accompanies the perils of an industrial society that alienates us from nature, and our general failure to understand our place in nature and relation with the land. Unless we develop an understanding that the land and nature are providential gifts, the fear of dispossession will continue to isolate the individual and rule the mind of the age. Joseph concluded by emphasising that the focus of organisations like HGF should be on education, rather than campaigning for a land value tax, which could easily be eroded even if it were somehow introduced.

The final talk was from David Triggs, Honorary President of HGF, and a former chartered engineer and management consultant who specialised in the provision and management of public water services throughout the world. David’s incredibly apposite talk “Exploring the scope for public revenue without taxation in the UK” took up where Joseph left off, as well as referring back to questions discussed during Beth Stratford’s presentation. David began by quoting at length from George’s essay *The Condition of Labour*, published as an open letter to Pope Leo XIII, in which George argued that poverty is not part of God’s natural order and therefore could be eradicated through political action. This provided an intriguing backdrop to the more concrete part of David’s presentation, in which he assessed some of the benefits that would arise if existing taxes on employment, production, and trade were replaced by collecting the rental value of land as public revenue. David’s controversial yet tightly argued and well-evidenced contention is that existing taxes assessed on wages and output artificially inflate the cost of government, since employers (including the state as employer of anyone working in the public sector) must pay twice as much to employ labour as they would in the absence of such taxes. The elimination of these taxes, David suggests, would result in a dramatic elevation of the rental value of land, which, if collected as public revenue, would generate a significant budget surplus. This is in stark contrast with the hopeless current fiscal situation, in which a slew of inefficient and socially destructive taxes that deter people from engaging in productive economic activity are insufficient to cover the cost of government, with the result that vast sums must be borrowed to make up the deficit. David concluded by challenging the audience to identify any mistakes he might have made if his conclusions seemed too good to be true.

Edward J. Dodson

# NO TIME TO LOSE: EITHER WE BEGIN TO PUBLICLY CAPTURE ECONOMIC RENT OR SUFFER THE CONSEQUENCES

A debate occurred during the formation period of the United States over whether law should distinguish between the land and natural resources as a societal commons or should embrace claims to nature as a legitimate form of private property. As historian Charles Beard observed in *An Economic Interpretation of the Constitution of the United States* (The Macmillan Company, 1913) those who drafted the Constitution of the United States and those who ratified the document in each state were men, most of whom were owners of large landed estates. They considered but rejected the Physiocratic ideal that the rental value of land ought to be relied upon as a 'impot unique' (i.e., the sole source of revenue with which to pay for public goods and services). Instead, they settled on imposts on imports and on revenue from the sale of the public lands.

As Henry George (and some later economists influenced by George's perspectives) argued, the American System established landed privilege as a serious burden on equality of opportunity for future generations. The problem remained hidden until (as historian Frederick Jackson Turner observed) the frontier closed. Almost from the very beginning of European settlement in North America, speculation in land had been a major source of wealth accumulation. This was certainly the case for George Washington, for many of his generation and for those the Crown had privileged with deeded land grants. Today, there are individuals and corporate entities that hold title to areas of land equal to the size of some states. There is a relatively small number of commercial real estate firms that own many centrally-located land parcels in the nation's major urban centers.

Today, not quite 65 percent of households in the United States are owner-occupants of a residential property. About one-in-three own their property free and clear of mortgage debt. And, the mainstream media and most economists positively comment on the wealth-building effect this has on those households who manage to become owners. What is not discussed is the fact that what increases in value is not housing. Housing is a depreciating asset that requires ongoing expenditure of money for maintenance; then every decade or so owning a house requires huge spending for systems replacement. The value of a housing unit is accurately calculated as replacement cost, less depreciation. So, what is increasing over time is the value of the land parcel on which the housing unit sits. And, land values are a function of locational advantage. Some advantages are a function of nature and some are a function of the quality of public goods and services brought to the location. Thus, logic tells us that increases in land value are unearned by individual owners; they are, in effect, gains from rent-seeking privileges under law and how real estate is almost universally assessed and taxed.

Common sense (and economic science) should dictate that the depreciated value of buildings should not be taxed. Annual taxation of buildings imposes an unwarranted cost of ownership above that of maintenance. Common sense and a commitment to equitable taxation to support local government should dictate that something close to the full potential annual rental value of every privately-held location should be captured to pay for public goods and services. Any public lands offered under lease to private individuals or entities should be charged this same rental value (adjusted every few years to reflect current market rental values).

Henry George argued in his writings that the elimination of all taxation except for that on the rental value of land would lead to sustained full employment without inflation and bring about an end to poverty. The time is long overdue for us to recognize as a moral principle that the earth is the birthright of all persons, equally, and that the public capture of economic rent is the only practical means by which this principle can be established under law.

... POWER IS ALWAYS IN THE HANDS OF THE MASSES OF MEN. WHAT OP-PRESSES THE MASSES IS THEIR OWN IGNORANCE, THEIR OWN SHORT-SIGHTED SELFISHNESS.

”

Henry George,
*Social Problems,*
*1883*

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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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