

FT Puts Leader behind Land Value Tax on Eve of Budget

NOT LONG ago it seemed almost impossible to get even a mention of land value tax in the British mainstream press, let alone a recommendation to adopt it. But times are changing. At first it was just a trickle of commentators advocating the tax. Then, on the 21st of June, the day before Chancellor George Osborne's much anticipated emergency budget, the Financial Times recommended replacing council tax with land value tax, in no less than its leader column.

Until the BBC decide to screen a Panorama special on the benefit



and justice of replacing all unjust taxes with a single rent on location value, it's going to be hard to find a more positive piece of media coverage than a recommendation by the voice of one of the most respected financial newspapers on the planet the day before a budget.

Under the headline, Tinkering with tax, the FT leader pointed out that council tax is hated simply because it is more obvious than other taxes. "The median household pays more in value added tax and in income taxes," it said. "But whereas those bigger levies are collected subtly, at the checkout and through the pay-cheque, council tax bills are sent out in the post. It is a particularly visible burden."

The newspaper went on to argue that because council tax is so despised it is kept low, with the result that UK local authorities are not able to raise enough of their own money. "Last year, the

council tax brought in £25 bn—one quarter of the cost of local budgets," the editorial wrote. "Almost all of the rest came from central government grants and national taxes whose proceeds are earmarked for local authorities.

"This makes for bad public policy: decisions are taken far from the coalface. There is also little accountability."

But the FT did not argue that this should mean council taxes should rise, calling it an "ill-designed tax, a hybrid of a local services charge and a property tax. The levy varies with property prices, but not by enough to prevent it from being an excessive burden on poor households."

Instead it called for a major reform in local government financing before concluding: "The council tax should be replaced by a land value tax, and the government should investigate what other taxes can be localised."

Unsurprisingly for such a high profile piece, the article generated plenty of debate on the FT website, www.ft.com, by searching "land value tax". LVT supporters might want to take the opportunity to keep the debate going and increasing the profile of the story by visiting this page and adding their own comments.



Central Banks and Credit Bubbles

The Origin of Financial Crisis
by George Cooper
HARRIMAN HOUSE LTD.

Dr George Cooper wastes no time getting to the point of his thesis, for it is clearly stated on the front cover "...and the efficient market fallacy." While it is another book on the credit crisis, it is of particular interest to those who seek to understand how powerful a defective idea can be in bringing economic distress to the world economy.

Dr Cooper introduces the reader to the Efficient Market Hypothesis (EMH), which states that 'asset prices are always and everywhere at the correct price.' The EMH has no room for bubbles or busts for these are only price swings due to markets responding to changing fundamentals. It takes little space in the book for this theory to be shown to be a fallacy. What is horrifying is to learn that the EMH remains the conventional wisdom of how financial markets are viewed and is one of the key premises on which our central banks operate. He illustrates how this apparently innocent idea affects national economic and financial policies by examining the central banks and how this concept guides their thinking.

One of the gems in the book is how the key quality claimed for markets is equilibrium. After all it is in human nature to want stability, stable employment, a happy family life, an army to defend the homeland and so on. The author shows very clearly that financial markets differ from the markets trading in goods and services, which do have a built in equilibrium, while asset or financial markets are in their very nature unstable. How come? Dr Cooper develops his argument with such skill and reason that you are left wondering why

you did not see something so obvious years ago. Those familiar with land prices in the tenure conditions that we live under today will recognise only too quickly the point being made.

The EMH does have opposition from The Financial Instability Hypothesis developed by the American economist Hyman Minsky, which explained long ago the inevitable instability of financial markets and the consequences of failing to act on this fact.

Considering the ground covered by the book, it is not a long one and is very well laid out, as is the information and arguments put forward by Dr Cooper. The author works in the City and has had years of experience of the workings of financial markets. A lot of historical background is used to bring depth and enliven this eminently readable book, particularly on the role of the central banks. Because of the breadth of the book you come out feeling you have learned a lot more than about just the EMH and its contradictions.

It is important for those of us inspired by the vision of Henry George, and who seek to address the underlying causes of economic injustice, to also have some understanding of the immediate causes of the financial dangers the West now faces and the wholly defective ideas that have brought the world close to financial collapse. The Economist described the book as 'a must read.' I would second that.

Peter Watson

