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## CONTENTS

EDITORIAL	
Taxes: Government's opium	2
PHILADELPHIA	
Alanna Hartzok	3
GORDON BROWN	
Ian Baron	4
WORLD BRIEFS	5
The Money Question	
George Morton	6
Tax Shift	
Hanno Beck	6
\$25,000 Prize	
Julia Bastian	7
Land reform in Scotland	
James Digney	8
The Glasgow Connection	9
THE L&L ESSAY	
<i>Land Reform &amp; Human Values</i>	
Donald Macleod	10
Lib-Dems on Land taxation	12
BOOK REVIEWS	13

**COVER:** Sensational estimates of losses of wealth caused by negative taxation are revealed for the first time in a new book reviewed by Dr. Roger Sandilands of the University of Strathclyde (*page 15*).

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## EDITORIAL

# Taxes: Time to Outlaw Government's Opium

TAXATION turns law-abiding people into outlaws. The scale of tax evasion is on such a massive scale that we could not consider all the tax-dodgers as paid up members of the criminal fraternity.

It is the character of taxation itself which is criminal. Taxes that are levied on people's wages and savings are arbitrary and abusive. Economists have written about the way in which taxes distort economic behaviour ever since Adam Smith's *The Wealth of Nations*. Rarely do they trouble to quantify the effect (*see page 16*).

But governments have been reluctant to transform taxation so that public finance is fit for people. The result is the "black economy". This is the economic activity which people conceal from their tax authorities. In Europe, the biggest black economy is in Greece (29-35% of GDP), with Italy next in line (20-26%), and Belgium (12-21%). The UK tax-dodging economy is estimated at 7-13% of GDP, about the same as in France and Germany. Across the European Union, an estimated 28 million people fail to declare jobs which generate between 7% and 16% of the EU's GDP. The scale of tax dodging is increasing. That is why governments are worried. They are strapped for cash and are now preparing to clamp down.

*The tragedy of all this is that governments lose more by the revenue-raising policies for which they are exclusively responsible, than they do from moon-lighting workers. The scale of losses to everybody in the industrial economy is*

horrendous. More than \$6 trillion is estimated to be lost every year by the G7 countries alone. This is the order of magnitude of wealth that would be created if people were not penalised by taxes.

EU Commissioner for Social Affairs Pdraig Flynn proposes reform of labour and tax laws to encourage people back into the mainstream economy. If he is serious, he needs to instruct his economic advisors to search out those revenue-raising tools which nurture economic activity. *There is one such policy only; the one that requires people to pay for the benefits which they receive from the investment of public services and the endowment of nature.* That value is summed in the rent which people routinely pay for the use of land and natural resources. The economy malfunctions because the payment is made to the private sector rather than to the community which finances the services.

Governments are hooked on taxes levied on working people and on their consumption and savings. These taxes are the opiate of politicians. Weaning them off it is proving a difficult task.

There are encouraging signs of a new awareness, however, associated with the eco-crisis. Even the financial press is now linking taxes on pollution to the detaxation of people's wages and profits. This is the rational fiscal strategy, but economists continue to cloud people's understanding of the benefits of public rental charges for the use of resources.