

letter from the editor

The law of rent demonstrates a clear distinction between private and public. Wages belong to the private individual, while the land value that arises through the presence of community belongs to the public domain. This distinction is the basis of the land value tax. It is also the basis of the distinction between the economic and the civil domains, the domains of individual responsibility and collective responsibility.

Since current forms of taxation fall on wealth production and wages rather than on land values, it appears that taxes of any kind place a burden on the economy and on the private individual. So the real distinction between the economic and civil domains is lost. The civil domain seems to conflict with the private domain, so there is a general desire for lower taxation.

However, the desire for lower taxation is confronted by the ever widening gulf between rich and poor, and in particular by the consequences of land speculation which raises the cost of housing. So government and local authorities are forced to seek mitigation of the housing crisis and this means higher taxation is needed. We are trapped in a vicious circle. If taxes are lowered, land speculation and rents rise and more revenue is needed to meet the social consequences. People demand less government intervention but circumstances require more.

All this comes about through failing to see how the economy expresses in land values the natural distinction between private and public wealth, which in turn expresses the distinction between individual responsibility and collective responsibility. The proper purpose of public revenue is to provide for those things which can only be provided collectively, such as defence, infrastructure, courts of law, highways, emergency services, and utilities such as water and energy. Such provisions do not belong to the private domain, least of all where they form monopolies. They are the things that society must provide collectively, while commerce provides for things desired individually. The distinction between the two realms is at once a natural and an efficient distinction.

For George it is only after this distinction is drawn that we can discern what properly belongs to the political domain. In the economic domain everyone is a private individual, while in the political domain everyone is a citizen. But where everything is reduced to private enterprise, as with land speculation and privatisation of the utilities, collective responsibility is obscured and inequality and social problems arise. At the other extreme, where everything is taken into the public domain individual enterprise and creativity is destroyed. What is demonstrated by the distinction is that there is a natural distribution of responsibilities between the two domains. Both can work effectively and justly where their functions are not confused. Ideally no political interventions are needed to remedy economic injustices, and no economic interventions are needed to remedy political failures. But this also means that each individual must understand themselves as both free economic agents and as responsible civic agents. The two domains complement one another. Where citizens take civic responsibility, economic responsibility will naturally follow. In a just society the common good comes first.

This all seems almost too simple to be true. It is very hard in a situation where we are accustomed to land and other monopolies that bring about economic and social deprivation to imagine that

government would have no economic inequalities to mitigate. It is also hard to imagine what functions would naturally belong to government where economic injustices were eliminated. We have become accustomed to thinking of government primarily in terms of economic interventions. And because its funding has been drawn from production and wages rather than the natural land value tax, we have come to think of government in terms of expenditure rather than its functions. We inadvertently place government in the economic domain.

In his 2019 Reith Lectures Jonathan Sumption asked what is wrong with our present democracies. He stated very clearly that it is lack of public participation. Very few people are now members of political parties. There are no doubt many reasons for this. But from a Georgist perspective it is understandable that when wages are pressed down to a minimum and housing costs are absorbing the largest ever proportion of family income, and the gap between rich and poor is ever widening, there must follow a disillusionment with government and a sense of powerlessness. Land monopoly separates the people from government and renders government powerless to apply any sustainable remedies. Government is itself at the mercy of land monopoly so long as it cannot discern between wealth produced by labour and wealth arising as rent. That is to say, so long as it cannot discern its own proper source of revenue.

Burdened with these difficulties it is hard for ordinary people and for government to consider the civic realm and the common good with any clarity. Yet it is worth considering the responsibilities of government apart from needing to mitigate economic injustices.

Clearly defence is an essential function. Law and order likewise is an essential function. But these may have wider functions than we usually suppose. For example, it is only governments that can deal with natural disasters, protection from epidemics, or environmental destruction and global warming. This suggests that various kinds of collaborative research for the public good are necessary functions of government. Provision for education and public health are also the natural responsibility of government, at least where free enterprise alone is unlikely to be adequate. Public libraries, museums, art galleries, theatres, concert halls and parks and other public spaces that foster community are also essential. Free public transport would have immeasurable social benefits and also contribute to a clean environment.

Given that a land tax would provide ample funds, then all kinds of shared public goods could be provided according to the general wishes of the people. For example sports facilities and venues and for clubs and societies could be freely available. Such provision would foster political and civic participation and make society more democratically consensual. Government would come to represent the flourishing of society and culture, rather than a burden or necessary evil. All this follows from observing the distinction between private and public responsibilities expressed in the law of rent.



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