

letter from the editor

I am sure we have all found that when we introduce friends to Henry George they straightaway raise several problems about implementing a land tax. Most often they will say their home will lose its value. For those still paying a mortgage that is a serious problem. Others will argue that the great monopolies will never allow the introduction of a land tax. These challenges can be met through a careful study of George's economic analysis and we need to tackle them here.

A much more interesting challenge I have encountered is from those who argue that the introduction of a land tax and opening up free trade would bring about an explosion of new wealth creation and even greater consumerism. This, they suggest, would be a bad thing and would lead to a deeper entrenchment in materialism. This position is harder to meet than those other challenges. And it is made even stronger by environmentalists who argue that it would cause further depletion of natural resources, loss of species and destruction of the ecosystem. They also argue that proposals to levy taxes on resource use in order to protect the environment shows that a land tax by itself does not establish economic justice or curb abuses of the land.

How can these challenges be met? They raise two fundamental questions. First, would the introduction of a land tax necessarily lead to a huge increase in consumerism and even greater depletion of natural resources? Second, would extra taxes put on resource use be a just or appropriate use of taxation?

To answer the second question first. It was a principle of George and of the early Georgists that taxation should never be used as a form of penalty or fine. Penalties belong to the judicial system. Using taxation in this way would undermine public understanding of the principle of the land tax as arising naturally from the advantage of the community. It would also require a bureaucracy to administer it, which again would defeat one of the principles merits of a land tax as easy to identify and collect. And, needless to say, all present taxes on production and labour are already penalty taxes discouraging production and exchange. The land tax is meant to replace all such penalty taxes. Also the land tax has a natural limit to the revenue it would raise. That natural limit is meant to correspond to the needs and duties of government. It is also meant to limit the possibilities of corruption – one of the arguments raised in George's time. Besides, industrial practices that are harmful to the community or which abuse nature may simply be made illegal. Taxes used to encourage or discourage behaviour defeat the principle of the land tax.

This forces us back to our first question. Would the introduction of a land tax necessarily lead to a huge increase in consumerism and even greater depletion of natural resources? This question is much more difficult to answer. It requires a leap of imagination to judge the real consequences of introducing the land tax. It is not enough simply to claim that it will remove rent exploitation and ensure labour receives its full wages. It would certainly remove those primary injustices, and that remains the most powerful argument in its favour.

But would it unleash a boom in production? If labour had higher wages, would that be the consequence? In terms of current economic thinking it certainly would. It is generally assumed that greater spending power would increase demand. On the other hand, where cheap labour has been used to keep market prices low, prices would rise. If the exploitative factor was removed from the economy we can assume it would attain a natural balance between demand and production.

Further, the restoration of the original social grounding of the economy would replace the distortions of absentee landlords, absentee shareholders, and exchange would no longer be anonymous. Profit-making would cease to be the sole purpose of economic exchange.

Economists such as Herman Daly have shown that the ever-growing economy is a result of distortions of the market, banking and land monopoly. Or, as others such as John Médaille have shown, it is a debt economy, with increased production met only by greater borrowing. It is in fact unsustainable. This unsustainability is reinforced by the built-in obsolescence of advanced products of technology. The ever-growing economy is not driven by market demand as such but rather by the pressure of ever-increasing debt. For example, graduates now enter the market already heavily in debt, or buying a home creates a lifetime debt. This unsustainable debt economy would not be carried over into an economy with the full land tax collected. Rather than be driven by a few major monopolies, the economy would diversify. Smaller enterprises would naturally arise. Wholly unsuspected talents and vocations would emerge and be released. Vast impersonal industries would no longer be attractive where more creative and independent careers would become possible. Individual initiative would be liberated within a deeper sense of community.

It is clear, then, that the land would take on quite different uses and our relation with the land would change. With smaller, local enterprises and cooperatives, wasted travel would be eliminated. The distribution of population on the land would also change, as George points out. With such changes becoming possible, the values of society would change. The mere accumulation of wealth would cease to be an end in itself, especially when the economy would no longer be driven by debt created by land and monetary speculation. All incentives to abuse the natural provisions of the earth would simply disappear. There is no *natural demand* for destructive industries. A truly free economy would not be exploitative of labour, land or capital. On the contrary, it would tend towards serving the common good.

And, as George envisaged, leisure time would be increased and cultural pursuits would spontaneously flourish. It is feasible that a three-day week would suffice to meet all material requirements. The economy would no longer be regarded as an end in itself but rather the foundation for an expanded social, civic and cultural life.

While we can only make tentative guesses at how the economy would change with the implementation of the land tax and how the new freedoms would be exercised in society, we can nevertheless assume it would seek to be more just and desire to remove all forms of exploitation, including the exploitation of the earth which is the counterpart to the exploitation of labour. In reply to those who suggest that the implementation of a land tax would necessarily lead to a huge increase in consumerism and even greater depletion of natural resources, it can be argued that the effect would be the reverse. Given the present concern for climate change, this is probably the greatest challenge Georgists are presently called upon to meet. It is inseparable from the primary Georgist concern for the causes of poverty.



Joseph Milne
editor@landandliberty.net