

letter from the editor

An unfair tax system leads to uncertainty about the proper duties of government and reluctance in the population to pay taxes. This in turn leads to governments promising to lower taxes, while the better off to seek ways to evade them. Thus the idea takes hold that taxation is a burden on society and that whatever services it provides are a drain on wealth and a drag on the economy. And yet the people want the necessary services which only government can provide.

The result of this way of thinking has now led to doctors and nurses going on strike because government policy has gradually lowered their income by at least 20% over the last decade. The idea has taken hold that those providing such essential services should be paid the least possible, while those who make fortunes from investments in other people's labours should have unlimited rewards and pay lower taxes. The same may be said of the teachers and the railway services.

There is an illogical belief that paying doctors and nurses removes wealth from the economy. Yet the entire budget of the NHS goes into the economy, through equipment purchased, the supply of medicines, and the wages spent by doctors and nurses. Further, all these exchanges raise tax revenues for government. So the true amount spent on the NHS is less than government claims it is. Yet we have the contradictory situation where the government is claiming that lowering NHS waiting lists is a priority, while at the same time refusing to negotiate with NHS doctors and nurses. Nurses, in turn, are leaving the NHS for higher wages in cafés and supermarkets.

Georgists might argue that there should be no NHS and that everyone should be able to afford health care from their wages. This is true in principle. Nevertheless, a nation's health is a collective responsibility. The rentable value of land, created by the community, is the proper source of revenue for all collective responsibilities. But since this natural source of revenue is appropriated by private land owners and speculators, government has no alternative but to tax wages and wealth creation. It is this that leads to the consequences of an unfair tax system. It creates a sense of conflict between the citizen and the state. So the citizen desires the benefits of the NHS but grudges contributing towards it. Likewise with children's schools. Parents desire good schools for their children, but grudge paying taxes for them.

All this happens because tax is raised in the wrong way. It is as though, if it is raised in the wrong way we should not pay it at all. Yet everyone knows perfectly well that our society and our economy would collapse if the services provided by government ceased.

However, the shortage of revenue for government is due to the greater part of the nation's wealth being absorbed into ever higher land values. This had led to an increase in the rented sector for homes, while rents themselves are set at the maximum that can be charged. The landlord has a monopoly. And so the proportion of net income devoted to rent or mortgage is about 40% and is rising. It is this ever-rising cost of housing that makes the wages of doctors and nurses insufficient to live on. But if wages generally rise, soon the difference gets absorbed again into rising housing costs.

Most people seem unable to grasp how rising housing costs have nothing to do with the rising value of a home, but are due to the maximum that can be afforded as a portion of wages. Over the last thirty years this maximum has gradually increased from about 15% to 40%, and in some places to 60%. It is government policy that has brought this about, as the housing charity Shelter argues, through the right-to-buy council homes scheme, removing rent controls, supporting buy-to-let landlords, and deregulating banks. All these schemes and changes in regulation were rooted in ideologies implemented without any understanding of their actual economic consequences.

Our times talk endlessly of rights, yet, as Shelter says, the right to a home is wholly ignored. Doctors and nurses need homes, while some are being evicted because they cannot afford their rent. Thus it all comes down to the land question. If the natural revenue for government is not taken from land values, then giving the doctors and nurses higher wages will only get reabsorbed into rising housing costs. A vicious circle is perpetuated which neither government nor the ordinary citizen can see. Indeed, the rising cost of housing is regarded as an indicator of economic growth. And because the root cause is not seen, remedies are sought which fail to break the vicious circle. Some, out of compassion, set up charities to mitigate the consequences. Others talk of revolution. Both miss the point, though charity is the only moral option that is immediately helpful.

It is worth remembering that the NHS was originally created so that even the poorest should have access to medical care – the slums in the great cities such as Liverpool, Birmingham, Manchester and Glasgow. Those slums were purpose-built for the poor by landlords who could exploit even the weakest. The clearing of the slums in the 1950s and 60s and replacing them with decent affordable homes was a huge benefit to society. Now all that benefit has been whittled away through ignoring the land question – through failing to see how the exploitation of the land leads to almost every other kind of injustice in society.

Nevertheless, it is the responsibility of citizens in a democracy to understand how land appropriation and speculation determines the economy, just as it is the responsibility of government to understand it. But if the people fail to understand it, then government will not understand it either, or will be unable to act on it even if they do. So we remain in a vicious circle of increasing disparity between rich and poor, while government can do little to change things in an equitable way for all. The best they can do is seek to mitigate the worst consequences until the people understand that the first cause of economic inequality lies in the land question and can be resolved through the implementation of just system of taxation.



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