

# MONEY AND LAND: A New Alliance for Reform?

Supporters of land value taxation (LVT) and monetary reform share similar aims and principles. They call for the “rental” value of land and the value of new money put into circulation to be treated as common resources, and therefore as sources of public revenue.

Readers of *Land & Liberty* need no explanation of LVT. The essence of monetary reform is that new money – sterling, dollars, euros, yen, etc – would be put into circulation debt-free as public spending. Commercial banks would no longer be allowed to print it as credit out of thin air into the current accounts of their customers as loans. In the UK over 95% of the money supply is now created that way. The loan interest from it gives the banks a hidden subsidy estimated at over £20bn a year. The potential extra public revenue from monetary reform is estimated at about £45bn a year. That could be used, like potential revenue from LVT, to reduce existing taxes or public debt, or to increase existing public spending.

Central banks like the Bank of England, operating openly as professionally independent monetary authorities, would regularly create the amount of new non-cash money (as well as cash) needed to increase the money supply. They would credit it to their governments as revenue, which would then spend it into circulation. It would become illegal, like forgery and counterfeiting, for anyone else to create new official currency in the form of bank credits. Commercial banks would have to borrow, no longer create, the money they lend.

Supporters of monetary reform explain (as LVT supporters explain for it) how it will:

- ◆ reduce speculation in financial assets and financial booms and busts (as LVT will do for land speculation and housing booms

and busts), and so smooth out the peaks and troughs of economic cycles,

- ◆ make it possible to reduce distortionary taxes that now damage the economy,
- ◆ distribute more fairly and allocate more efficiently the publicly created value of resources that should be shared in common, instead of giving “free lunches” to landowners and banks, business corpora-

gages. Monetary reform should help to ease that problem for individuals and enterprises alike.

- ◆ LVT and monetary reform both point to better ways of financing public investment than the controversial Public/Private Partnerships and Private Finance Initiative. Increases in local property values created by public investment in a locality’s trans-

port, hospitals and schools, could be used for financing the investment. Or central government could put newly created money into circulation in the form of interest-free loans to local government for such investment. Both those two approaches would seem to be feasible, with no conflict between them.

IN THE NEXT few years I expect to see economic and social reformers and environmentalists working more closely together to promote both land reform and money reform. I hope *Land & Liberty* and the Progressive

Forum will play an increasingly prominent part in this alliance.

#### Recent references include:

Joseph Huber and James Robertson, *Creating New Money: A Monetary Reform for the Information Age*, New Economics Foundation, 2000 – see [www.neweconomics.org](http://www.neweconomics.org), “nef publications”.

James Robertson, *Financial and Monetary Policies for an Enabling State* – see [www.neweconomics.org](http://www.neweconomics.org), “news archive”, 4/9/2000.

Don Riley, *Taken for a Ride: Trains, Taxpayers and the Treasury*, Centre for Land Policy Studies, London, 2001.



**James Robertson, co-founder of the New Economics Foundation and Progressive Forum advisory board member, explains that land- and monetary reformers share common ground**

tions and rich individuals, who are now allowed to “enclose” the value of those resources for private profit,

- ◆ open up opportunities for enterprise and work to people now excluded from them,
- ◆ discourage (or at least stop encouraging) environmentally damaging activities, and
- ◆ make the monetary system (as LVT will make the tax system) easier for the citizens of supposedly democratic societies to understand.

OTHER LINKS between the two reforms also need to be explored. For example:

- ◆ LVT will tend to reduce both the capital value of land and the rental flows from it, thus reducing the ability of many bank customers to provide collateral security and interest payments for their loans and mort-