LAND&LIBERTY

No 1263 Summer 2024

C/O School of Philosophy & Economic Science
11 Mandeville Place, London, W1U 3AJ
+44 (0) 800 048 8537
editor@landandliberty.net

Editor
Joseph Milne

Managing Editor
Jesper Raundall Christensen a·m·m

Graphics and Production
Jesper Raundall Christensen a·m·m

Publisher *Henry George Foundation*

To receive Land&Liberty or support the work of the Henry George Foundation contact us at the address above.

Land&Liberty has chronicled world events for over 100 years. It has offered a unique perspective with its reports, analysis and comment on the core issues of political economy. And that uniqueness remains. Land&Liberty aims to explore how our common wealth should be used - and to demonstrate that this is the key to building the bridge of sustainability between private life, the public sector and our resources - between the individual, the community and the environment. Land&Liberty - putting justice at the heart of economics.

Land&Liberty is produced by the Henry George Foundation and printed by Premier Print Group on 100% recycled paper.

ISSN 0023-7574

HENRY GEORGE FOUNDATION

The Henry George Foundation is an independent economic and social justice think tank and public education group with offices in London and members throughout the UK. The Foundation deals in cutting-edge ideas, exploring and promoting principles for a just and prosperous society and a healthy environment.

The Henry George Foundation of Great Britain is a company limited by guarantee, registered in England, no. 00956714, and a charity registered in England under the Charities Act 1960, no. 259194.

www.HenryGeorgeFoundation.org

www.landandliberty.net
follow us on Twitter @landandliberty

message from the honorary president

At a recent Geoist conference I presented a paper suggesting that if the rental value of land were to be collected as public revenue in place of the **£753B** (billion) currently collected through Income Tax, National Insurance Contributions, VAT, Council Tax and Business Rates this year's budgetary deficit of **£87B** would be transformed into a surplus of nearly **£400B**. Most academic economists present dismissed the suggestion as 'too good to be true - there must be a mistake'! However they singularly failed to convincingly identify what that mistake might be. I sympathised with their predicament as I experienced the same idea - but like them I could offer no logical argument to disprove the suggestion. I therefore now wonder if rather than being '*too good to be true*' it is '*too true to be believable - given prevailing economic norms*'. A similar thought arose this morning as I witnessed what I regarded as a beautiful sunrise and then remembered it was not really the sun that was rising but that our planet earth was revolving!

It is widely appreciated that GDP is not a very satisfactory measure of the goods and services produced within a nation and that it only measures those that are bought and sold. It excludes the goods and services that are freely produced, supplied, given and received with love, without the medium of money being involved. It is however the internationally recognised, core macro-economic indicator, and statistical estimate of the size of the national product so economists take it seriously.

UK GDP for 2024/5 is estimated to be around £2,786B and represents the sum of public and private sector spending on the provision of goods and services, i.e. £855B and £1,931B respectively. These figures include £371B that is transferred from government to the private sector through the payment of pensions and benefits etc. so the government's *Total Managed Expenditure* of £1,226B includes those transfer payments.

It is generally recognised that taxes on employment, production, and trade inhibit economic activity, reduce the real earnings of those who produce the national product, increase the viable selling price of all competitively produced goods and services and increase the cost of those provided by government. Less generally recognised is the *extent* of the damage caused by those taxes i.e. they reduce real earnings by around 50%, double the viable selling price of competitively produced goods and services, and double the cost of government provided services! If the aforementioned taxes were abolished Government revenue would be reduced by £753B from £1,139B to £386B. Government spending on goods and services would halve from £855B to £428B and its *Total Managed Expenditure* would reduce by a similar amount from £1,226B to around £799B. Would collecting the rental value of land be enough to cover the £413B shortfall?

According to Government's (ONS), property rents for residential and non residential buildings are estimated to be around 18% of GDP i.e. £501B. If, 50% of this derives from building costs and a like amount is due to land value some £251B is attributable to each. However following our tax reforms building and maintenance costs have halved to around £125B so the land component increases by a similar amount to £376B.

Households and firms tend to occupy the best or most suitable property they can afford, so when private sector spending power is increased by the removal of £428B of taxes, property rents are likely to increase by a corresponding amount. As the building costs have been reduced this increase all goes to the land value component which increases from £376B to £804B. When the £386B of untouched taxes is added to this, total public revenue becomes £1,190B alongside government expenditure of £799B. Is the resulting £391B surplus *too good to be true* or do our prevailing economic norms just make it *too difficult to believe*?

Get a fuller picture by joining our HGF Open Event on September 14th 2024.

David Triggs
Honorary President
Henry George Foundation

henrygeorgefoundation@
googlemail.com