

How should Monetary Reform and Tax Free Production & Fair Trade feature in plans for Land Value Based Fiscal Reform?

The wonder and beauty of living in a healthy community is how working with and for others in the community of which one is a part increases both the amount and quality of the goods and services that may be produced and the satisfaction available to those who produce them.

Down the ages, beyond familial or religious bonds this most benevolent aspect of natural law has manifested in the voluntary exchange of goods and services through trade. Between individuals well known to each other credit and the honouring of debt would feature. Between individuals less known to each other money in a form that both parties to the exchange trusted would act as the medium. Irrespective of money's form, its only essential characteristic is that it will be readily accepted in exchange for a desired good or service. As is obvious with paper forms of money its value does not depend upon any difficulty associated with producing it but upon the difficulty an individual has to undergo in order to acquire it. Trust in those responsible for controlling its supply or issue has thus always been crucial within a community dependent upon the free and willing exchange of goods and services. In a healthy community or state trust will be most widely and permanently vested in their government and explains why, throughout history, sovereigns have been responsible for the issue of the nation's legal tender coinage or currency. However in a trading community and in trade between communities under different sovereign governments credit, trust or belief is even more important than money, and banks have an important role here.

Essential to the business of traditional bankers was the knowledge they had of the ability, potential and needs of their customers. Knowing, and being known to know these things, they could make and exchange credits with each other on their own account. However whilst they did not need to use legal tender money or currency on this account their credibility required them to be also safe holders and lenders of legal tender money.

Over time banks have been allowed to blur the distinction between the issue of legal tender money on the one hand and the making and exchange of bank credits on the other. Banks have been allowed to create, lend, and earn interest on a form of money that has become indistinguishable from legal tender and has thus to be effectively backed by government. Over 90% of this money is not required as a medium for the exchange of new goods and services as measured by the nations GDP but is needed to fund interest payments on previous "loans" and for new interest/dividend earning speculative "investments" in land, currencies and other financial assets. At the same time genuine bank credit, based upon a confidence that the material capital thereby accessed, including new buildings, machinery, equipment, tools, stock etc., will be used to produce new wealth from which the debt will be redeemed, has become increasingly difficult to come by.

The damage being done to the bodies, minds and souls of those participating in and affected by this perversion of money and banking is impossible to measure but there can be no doubt that it is substantial and has an impact on the production of wealth and the provision of socially useful services throughout the world.

The links between land value based fiscal reform, tax free production & fair trade, and monetary reform are not difficult to discern. The need for all three stem from a failure by government to collect for the community the land or location value that is created by the presence, protections, regulations and service that the community itself creates. The consequences of this failure includes: (i) that the periodic rental value of land must be taken by individuals, families and firms, (ii) it thereby acquires a capital value or sale price based upon the estimated present value of an estimated future stream of rents, (iii) as a financial asset it becomes collateral against which mortgages may be granted and new money created for the purpose, (iv) as the economy develops land rent increases and becomes an increasing share of GDP but instead of being available to fund increasing communal needs for infrastructure and services its capitalised value becomes the object of financial speculation leading to the boom bust phenomenon, (v) governments are obliged to collect public revenue through taxes levied on production, trade and the value added by and/or the earnings of labour and capital, (vi) such taxes harm marginal industries, businesses, people and locations more than monopolistic or oligopolistic corporations thus endowing them with an ever increasing market share whilst those at the margins are rendered economically unviable (vii) people associated with tax induced poverty become unproductive and have to be supported by an ever increasing need for welfare and benefits, (viii) governments find that their taxes are unable to provide sufficient public revenue to fund the increased need and resort to borrowing etc. etc.

Faulty monetary and fiscal arrangements around the world have a profound effect on the nature and impact of international trade. Failure to collect land rent has led to land being treated as a commodity that can be owned, bought and sold without regard to any corresponding duty to the host community. In like fashion failure of national governments to retain control of their legal tender money as a medium of exchange has led to currencies being regarded as tradable commodities. The principle underpinning the virtue of "tax free trade of goods and services" has been perverted as money is treated as if it were genuine capital i.e. man-made material wealth used to facilitate the production of new material wealth. As the recent Brexit debate has shown the idea of "free trade" has become confused with ideas about the free movement of goods, people, services and capital. The consequences of allowing the free global movement of capital/money, coupled with an ability to acquire duty free ownership of land with that money pose a serious threat to the peace and prosperity of people everywhere. ■