Civilized nations, however, do not use their armies and fleets to open one another’s ports to trade. What they use their armies and fleets for, is, when they quarrel, to close one another’s ports...
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When we see the harmful consequences of the unjust distribution of wealth that exists in our world it is tempting to seek interventions that will immediately remedy things. It is natural to desire justice when we see injustice. But remedies that are not properly thought through will not work, or may even make matters worse. There are many such interventions that governments have made, through genuine good will, but which have not solved the problems they addressed. We could take Housing Benefit as an example. Its immediate effect was to alleviate a housing problem, but in the long run it has contributed to the exploitation of the rented sector, and now government cannot meet the rising cost of its implementation. As a result people are being forced to leave the large cities for cheaper housing elsewhere. Henry George was fully aware of such false remedies. In Chapter 9 of Social Problems he writes:

“For every social wrong there must be a remedy. But the remedy can be nothing less than the abolition of the wrong. Half-way measures, mere ameliorations and secondary reforms, can at any time accomplish little, and can in the long run avail nothing”.

One of the great temptations is to take from the rich and give to the poor. But to this temptation George replies:

“Nor yet could we accomplish any permanent equalization in the distribution of wealth were we to forcibly take from those who have and give to those who have not. We would do great injustice; we would work great harm; but, from the very moment of such a forced equalization, the tendencies which show themselves in the present unjust inequalities would begin to assert themselves again, and we would in a little while have as gross inequalities as before”.

Inequality would return in the long run because the underlying cause of unjust distribution would not have been addressed. The remedy is to remove the causes that obstruct the just distribution of wealth in the first place. No other intervention is needed:

“It is not necessary for us to frame elaborate and skilful plans for securing the just distribution of wealth. For the just distribution of wealth is manifestly the natural distribution of wealth, and injustice in the distribution of wealth must, therefore, result from artificial obstructions to this natural distribution”.

And what is the just distribution of wealth?

“It is that which gives wealth to him who makes it, and secures wealth to him who saves it... And that this just distribution of wealth is the natural distribution of wealth can be plainly seen. Nature gives wealth to labour, and to nothing but labour. There is, and there can be, no article of wealth but such as labour has got by making it, or searching for it, out of the raw material which the Creator has given us to draw from... This is the natural order”.

How, according to George, is this to be accomplished?

“All we need do to secure a just distribution of wealth, is to do that which all theories agree to be the primary function of government - to secure to each the free use of his own powers, limited only by the equal freedom of all others; to secure to each the full enjoyment of his own earnings, limited only by such contributions as he may be fairly called upon to make for purposes of common benefit. When we have done this we shall have done all that we can do to make social institutions conform to the sense of justice and to the natural order.”

In these passages George reminds us that we need to understand the causes of the unjust distribution of wealth before we are in a position to attempt any course of action. He is not proposing an ideology, but an enquiry into how things work. If we can really see how the present unjust situation is rooted in what he calls ‘artificial obstructions’ to the ‘natural distribution’ of wealth, then we will see that any forced mitigations will be of small value in the long run. We must seek to understand before acting.

What is striking in these passages, apart from that salutary reminder, is George’s repeated use of the words ‘justice’ and ‘natural’. Unjust distribution of wealth is ‘unnatural’, against the ‘natural order’ or obstructing ‘justice’. This is not a vocabulary we find in modern economic theory. Yet if the understanding of economics is natural for all people, as George maintains, then this vocabulary must be right. To put that another way, if the study of economics is not the study of natural justice, then it is not a proper study at all. The alternative is to suppose, like Hobbes, that society is an artificial construction where justice has no part and in which ‘laws’ can be made and unmade at will. For him such laws are made only with a view to subduing our natural inclinations and desires, not in order to align institutions and actions with natural justice.

George clearly has a nobler conception of human nature, and therefore of society itself. The evils of society, such as poverty and inequality, are ‘obstructions’ to the natural state of society.

“This, and this alone, is what I contend for - that our social institutions be conformed to justice; to those natural and eternal principles of right that are so obvious that no one can deny or dispute them - so obvious that by a law of the human mind even those who try to defend social injustice must invoke them.”

This surely embraces the spirit of our enquiries into economics. If we are seeking to remedy the economic injustices of society, then we are seeking to bring it into a state of natural justice. This is quite different from intervening in the distribution of wealth. All that is required is to prevent wealth being misappropriated as unearned income. The establishment of a land tax would bring this about naturally. So, rather than seeking ways of intervening in the distribution of wealth, which would only introduce further anomalies, what is needed is an understanding of the natural order of society beneath the distortions brought about by injustice.

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SOCIETY’S HIGHEST POTENTIAL

The governments of almost all countries have budget deficits and increasing national debts. The taxes they currently collect are unable to meet the increasing costs of health and welfare provision for their older people and for the care and education of their young ones. Because the taxes they impose on earned incomes, employment and trade have severe negative effects on economic activity, the bases of the taxes are reduced, which means that different sources of revenue are needed. Heads of governments have signed up to international projects, initiated by the Organisation for European Co-operation and Development (OECD), to prevent multinational companies and rich individuals from avoiding and evading taxation by relocating their money to countries with very low levels of taxation. They see this as an easy way to obtain more revenue. Terry Dwyer, in his essay Tax Dodging and the Coming Tax Wars (from the book Rent Unmasked) has described the problems involved when trying to collect taxes from companies and individuals who move money from one country to another. He has emphasised the failure of politicians to see the futility of their plans. International projects to “wage war on tax avoidance” are fundamentally flawed because they are illegitimate in International Law. Individual countries are able to enforce laws only within their territorial boundaries. No sovereign state must obey others and so can not be obliged to collect taxes on their behalf. Exhortations by politicians to the chief executives of multinational companies to ‘pay their fair share of taxes’ are correctly met with the response that they pay all the taxes that they are legally obliged to pay. It is the legal duty of the directors of companies to maximise the financial returns of their shareholders and to comply with that they have to minimise the amount of tax the companies pay using all legal avoidance measures which are allowed.

It should be obvious to experienced politicians that their reliance on tax systems which are outdated, over-complicated and are severely disadvantageous to employment and enterprise should be replaced by a system which is suitable for the purpose of obtaining all the funds for the essential functions of government. Hoping for significant improvements from tinkering with tax systems which have a long history of failure is ridiculous. There are examples of countries where tax revenues are obtained in sufficient amounts without detrimental effects on economic activity and with little or no avoidance or evasion. They are Singapore and Hong Kong. They derive most of the money needed for government from the collection of ground rent. They have few natural resources, but they have no annual budget deficits and high levels of economic prosperity.

The collection of ground rent for the necessary functions of government was proposed by Adam Smith in 1776 and William Ogilvie in 1781. It was supported by David Ricardo and John Stuart Mill, and the theory was refined by Henry George in Progress and Poverty. He called it the ‘Single Tax’. I shall refer to it as Annual Ground Rent (AGR) which includes the economic rent of natural resources such as the electromagnetic spectrum and mineral and fossil fuel deposits as well as the ground on which we stand. Classical economists subscribe to the four tenets, which a tax system should have. 1) It should not hinder employment or trade and so reduce the total fund from which the tax or charge must be paid. 2) For fairness, the amount of tax or charge levied should be related to the ability to pay and for justice, earned incomes should not be taxed whilst unearned rental incomes are left untaxed. 3) A tax or charge should be cheaply and easily collected so that the costs of administration are as low as possible. 4) There should be no opportunity for avoidance or evasion.

The collection of the annual ground rent is the only fiscal charge which complies with these four tenets of taxation; most of the fiscal systems in use around the world fail miserably in comparison. An important feature of AGR is that it provides incentives to enterprise and trade by optimising the use of land. Almost all cities have areas of land which are derelict and disused; they contribute nothing to the creation of wealth and increase the cost of using other land whether to rent or buy, because they make usable land scarce. A large area of land in the countryside is also unused or underused. By making an annual rental charge for occupying such land its owners would either make use of it or allow someone else to use it. Without the need for income taxes and sales taxes (such as VAT) are, employment and trade will increase and costs of production will fall.

Those who advocate “wars on tax cheats” to collect more tax by international co-operation stand to be accused of behaving like a physician who repeatedly treats the symptoms of a disease and does not look for its cause and never finds a cure. They opt for what they think is the easiest target without evaluating what is needed for the target to be hit or whether they have chosen the correct target. Instead of trying to raise more from existing taxes by trying to devise more effective ways of enforcement, they should be thinking of better methods of collecting the revenue they need. The tenets of taxation listed above should be on display in every politician’s office.

The economic case for the collection of the economic rent of every country to provide for its necessary functions is invincible. The reason why it is rarely used is due to the failure to overcome the claims of those with vested interests in retaining the status quo, who are usually a minority of the population but possess the loudest and most strident voices. The importance of gaining or retaining political power always overrides plans for radical change. Election manifestos contain vague promises of ‘fairness’, ‘justice’ and ‘working for the many, not the few’, with no commitments to the radical tax reforms, which are needed. In Britain many years ago all the revenue for government was obtained from those who owned the land. Gradually, taxation has been shifted onto the earnings of those who work, leaving most of the unearned rental value of the land to be collected by those who own it. It is not very long ago that ownership of land was a necessary qualification for having the right to vote or be eligible to be elected to parliament. The laws pertaining to the imposition of taxes were made by landowners. Reference is often
made to “The Law of the Land” which should be called “The Law of the Landowners”. The bias towards protecting the privileges of landowners has even been backed by the European Court of Human Rights. It declares the ‘right of everyone to the peaceful possession of his property’ but this only applies to a person’s existing possessions. It does not extend protection of property rights to include the right to property for everyone. Therefore it is not a universal human right.

In the United Kingdom, a significant shift of the burden of taxation towards earned incomes and away from unearned incomes began about fifty years ago with the abolition of Schedule ‘A’ Property Tax whilst exemption from tax on mortgage interest was retained. The shift was accelerated twenty years later with greater emphasis on the ambition for a “Home - Owning Democracy”. The government introduced the right of council house tenants to buy their homes at heavily discounted prices. Banks were allowed to provide mortgages for house purchase, a function which had been dominated by Building Societies whose lending capacity was limited by the amount of money which savers had deposited with them. This restrained rises in house prices. Their business model was based on the requirement for borrowers to have the ability to repay what they had borrowed. They were averse to taking risks and defaults were few. Lending by banks was very different. Instead of close scrutiny of borrowers’ ability to repay, banks increasingly relied on the value of the collateral against which the mortgage was secured. So long as house prices were rising, the amount of money they were prepared to lend also rose. Banks were not restricted by the amount savers had on deposit because their fractional reserve facility allowed lending to rise with the demand for it. Residential property became the most profitable form of investment and many peoples’ net financial worth was gained more from the increase in the price of their houses, or more accurately, in the price of the land on which their houses stood, than from paid employment. The preference of lenders for investment in landed property meant that those who wanted to invest in productive industry found it very difficult to obtain financial backing.

The increase in the price of residential property is almost all untaxed, unearned income, a fact which is ignored by politicians and officials in the Treasury and the Bank of England. The high and rising price of houses is seen to be beneficial to the national economy because as more money is spent on houses, the higher is the GDP and the more politicians congratulate themselves on the success of their economic policy. The shortcomings of GDP as an index of economic prosperity are well known but the resistance to the adoption of a better index is formidable, from owners of residential property, the financial sector and politicians. Nothing is produced by much of what is included in GDP. For instance, money which is spent on land does not produce more of it and money which is wasted on projects which fail, adds to GDP, as does the cost of repairing the damage caused by natural disasters although there is little net gain to the national wealth.

A much better measure of economic prosperity is the amount of Annual Ground Rent in a country. One of the natural laws of economics states that as the population grows and production increases, the demand for land rises, which inevitably increases its economic rental value. AGR is the surplus which remains from wealth production after labour and capital have received their just returns for their contribution to the production of wealth. All national governments should be obliged to collect the relevant statistics and publish the size of their AGR. They would then know the amount of revenue available to satisfy their necessary budgetary requirements, and could abolish all the harmful taxes which impede employment and trade, only retaining taxes on detrimental activities such as smoking and excessive alcohol consumption.

It is accepted by most economists that countries should never aim to have an annual budget surplus. “That such a surplus would normally lead to a weak economy is obvious. When the government has a surplus it is taking away from the purchasing power of its citizens more than it is adding back through its spending. Thus, it is contributing to a lack of demand”. This statement needs to be challenged because it does not take account of the harmful effects on employment and trade of income taxes and general sales taxes. If government revenue is obtained from AGR and harmful taxes abolished, the resulting increase in wealth creation will produce sufficient growth in economic rent (AGR) for a budget surplus, which can be distributed as a national dividend and there will be no lack of demand.

Politicians refuse to accept that they are responsible for recessions and the consequent damage to the lives of their citizens. By wilfully ignoring the importance of speculative investment in land in the recurrence of booms and recessions, they persuade themselves that such events are inevitable and unpredictable. Instead of using their political power to prevent them, they react afterwards with stimulants, such as ‘Quantitative Easing’ to correct for ‘excessive exuberance’ or ‘market failure’. It is little wonder that the former governor of the Bank of England was unable to provide an adequate answer the Queen’s question, “Why did nobody see this (recession) coming”? All recessions are preceded by booms in landed property prices as speculative investors, encouraged by exemptions from taxation sanctioned by the government, bid prices up above what people can afford. A crash inevitably follows.

How have Singapore and Hong Kong managed to achieve the economic prosperity, which has made them envied by others? Hong Kong was fortunate when the ‘barren rock’ was leased from China in the nineteenth century because the ownership of the land remained with China and anyone who wanted to occupy land in Hong Kong had to lease it from the British colonial authority on the island. As the population grew and production increased, the prices bid for leases increased and the colonial authority used the money to fund the provision of basic services. The prosperity of Hong Kong had spectacular growth in the decade from 1961 under the supervision of its Financial Secretary, John Cowperthwaite. He refused to impose tariffs or give subsidies and he called his economic policy ‘positive non-intervention’ and said his job was to see that no economic harm was done. All the measures of social progress showed marked improvement, such as the rate of unemployment, literacy and the average age at death.

Singapore’s history of prosperity dates from the county’s achievement of independence in 1965. According to Phang Sock Yong of Singapore Management University, the city state flourished because its economic model contained ‘elements of (heretofore) George’s land value capture’. Singapore passed the Land Acquisition Act in 1966 which gave the state broad powers to acquire land. In 1973, the concept of a statutory date was introduced, which fixed compensation values for land at the statutory date, November 30 1973. State land as a proportion of total land grew from 44% to 76% by 1985 and to about 90% in 2015. Rents that accrued from economic growth were invested in more and better infrastructure and taxes that damaged the economy were held down.

After adopting the radical reform I have described, the need for “a war on tax cheats” will disappear. Multinational companies which are involved in large increases in the production of wealth by their innovations and investments, automatically increase the amount of AGR, which currently adds to the price of landed property or disappears abroad. With taxes on employment and trade abolished, unemployment will be minimised and wages will rise. All employers, including the multinational companies will be in competition for labour; and the enormous cost of welfare provision for the unemployed and underemployed will be greatly reduced. Government need not persist in their futile attempts to impose taxes on the profits of corporations and the elusive money of rich individuals.
TRUE ECONOMIC FREEDOM

The idea of land value taxation (LVT) featured more prominently in the UK General Election of 2017 than perhaps in any UK election since the General Election of 1911, when Lloyd George’s Liberal Party won a mandate to implement the package of land-taxes incorporated in the ‘People’s Budget’ of 1909. The 2017 election was certainly the first for many years in which LVT was openly acknowledged by one of the two political parties which had any chance of winning a majority of seats in the House of Commons. The proposal of the Labour Party to consider the idea of replacing the Council Tax and Business Rates with LVT was the result of a number of factors, including the growing number of economists who recognize the strength of the economic case for LVT, and the increasingly obvious need for the reform of the UK housing market.

While the growing prominence of LVT in UK politics is of course to be welcomed, the way in which it has been endorsed by many of its proponents is a matter of some concern. Rather than making the case, from considerations of justice and freedom as well as those of economic efficiency, for a shift in the burden of taxation from productive economic activity to the rental value of land, many of the proponents of LVT on the left of British politics have instead argued for the implementation of LVT solely as a replacement for existing property taxes, such as the Council Tax, National Non-Domestic Rates, and Stamp Duty Land Tax. Such a reform would be implemented in order to achieve a relatively narrow set of aims centred predominantly around dealing with the shortage of affordable housing in Britain, a problem which has been growing more and more serious since the implementation of the so-called ‘property-owning democracy’ policies of the Conservative government in the 1980s. The wider set of social problems facing the citizens of Britain, including poverty, unemployment, economic insecurity, welfare dependency, and rising living costs, would then be solved through the implementation of a range of interventionist policies which would enhance the control exercised by the state over the economic sphere, with the overall burden of taxation imposed on productive economic activity becoming heavier rather than lighter.

Those familiar with the work of Henry George will be likely to take the view that LVT is much more than just a narrow housing policy reform which is tacked on to a manifesto that proposes to solve the major social problems primarily by enhancing the power of the state and raising the overall level of taxation. George proposed the taxation of land rent as a ‘single tax’ which would replace the taxes and tariffs that existed in late nineteenth century America, solving the problem of poverty by eliminating the inefficiencies and distortions generated by existing taxation, and by making land freely accessible to all. Even if one is reluctant to accept that the taxation of productive economic activity can be entirely eliminated, one should still recognize that the most serious social problems are rooted ultimately in the privatization of land rent and can be solved only by shifting the burden of taxation away from productive economic activity and on to the rental value of land.

I believe that the failure of many of the proponents of LVT to understand the full significance of the socialization of land rent stems in large part from the implicit acceptance by many on the left of British politics of one of the central aspects of the neo-liberal ideology that has become increasingly influential since the late 1970s – namely, the idea that the protection of economic freedom is compatible with, and in fact depends upon, the institution of full private property in land and natural resources. Those who adopt this neo-liberal interpretation of what it means to protect economic freedom see the private ownership of land as an essential feature of free market capitalism, in no way distinguishable from the private ownership of any other form of property. The left-wing opponents of so-called ‘free market capitalism’ have rejected the ideology of neo-liberalism not by challenging the neo-liberal interpretation of economic freedom, but rather by downplaying the importance of the institution of private property and elevating equality above economic freedom. The idea that full private property in land is an essential feature of free market capitalism has not seriously been contested.

In this article I would like to explore some of the ways in which the uncontested acceptance of the neo-liberal conceptions of economic freedom and free market capitalism in the political sphere is paralleled by a similar situation in the academic context of mainstream liberal political theory. I would also like to highlight what seems to me to be one of the key mistakes made by those liberal political thinkers who have challenged the neo-liberal conceptions of economic freedom and free market capitalism. I shall prepare the ground for the discussion by focusing briefly on recent expressions of the tradition of classical liberalism, which provides much of the theoretical background against which which the ideology of neo-liberalism has arisen.

The most influential classical liberal thinker of the twentieth century was probably Friedrich Hayek, who competed with John Maynard Keynes for political influence in the post-war years, finally managing to have an impact on the shaping of economic policy towards the end of the 1970s with the rise of Margaret Thatcher and Ronald Reagan in Britain and America. Hayek’s work emphasized the connection between the limits of human knowledge and the fundamentally important role played by the institution of private property in facilitating the mutually beneficial coordination of the diverse practical plans and purposes pursued by the citizens of a large and complex society. Hayek argued that since the practical knowledge on which rational economic activity depends is dispersed throughout society, embodied in the skills and habits of countless individuals, it follows that the only way in which rational economic activity can occur is through the operation of the market process, in particular through the knowledge-gathering role of market pricing which allows dispersed knowledge to be utilized to everyone’s advantage. For Hayek, the possibility of rational and mutually beneficial economic activity depended on the existence of a free market within which prices could be set by producers and consumers changing their patterns of production and consumption in line with changes in the prices of goods and commodities. And such a market could exist, in his view, only within a stable and predictable legal framework of rules and institutions, including those of private property and freedom of contract. Such a legal framework would minimize ‘the mutual interference of people’s actions with each other’s intentions’, and ‘prevent as much as possible, by drawing boundaries, the actions of different individuals from interfering with each other’.

Partly for these reasons, Hayek saw the private property-based market system as a kind of ‘contest’ which is ‘played according to rules and decided by superior skill, strength, or good fortune’ - a particularly efficient ‘wealth-creating game’ which...
greatly increases the production of material resources, thereby enhancing the prospects of all participants in the game to satisfy their needs. Since Hayek believed that interfering in this ‘game’ in order to maximize particular results for particular individuals or groups could reasonably be expected to be counterproductive, he opposed the imposition of redistributive progressive taxation and regulatory mechanisms designed to improve the positions of the poorest members of society. His key message, ultimately realized (at least partially) in the policies implemented by the Conservative government of the 1980s, was that the combination of proportional or ‘flat’ income taxation, the deregulation of private economic activity, and the provision of a ‘safety-net’ minimum income, would improve the life-prospects of all citizens, including the least well-off, by strengthening the protection of individual economic liberty.

More recently, Hayek’s ideas have been absorbed and redeveloped by proponents of the currently emerging school of ‘neo-classical’ liberalism (not to be confused with the tradition of neo-classical economics), which seeks to provide a more coherent and robust theoretical grounding for the laissez-faire free market-based institutions endorsed by Hayek. Contemporary neo-classical liberals have argued, in strongly Hayekian vein, that the most effective way to ensure that all citizens, including the least well-off, have the best opportunity to pursue their individual aims and purposes is to implement policies that generate an economic environment which is conducive to wealth-creation and material prosperity. And the policies that generate such an environment, so they argue, are those that generate laissez-faire institutions that secure economic liberty by strongly protecting the institution of private property – including private property in land.

The school of neo-classical liberalism is therefore a clear reflection in the academic sphere of the ideology of neo-liberalism that is so prevalent in the political sphere – at least with regard to economic policy in the context of domestic politics. The core idea seems to be that the low-tax, light-regulation institutional framework which secures economic liberty by protecting the right to private property is also the institutional framework that most effectively maximizes wealth-creation and thereby enhances the substantive opportunities and capabilities of citizens to pursue their aims and purposes. Proponents of this view, whether political or academic, typically oppose the implementation of supposedly ‘progressive’ interventionist mechanisms - such as high rates of progressive redistributive taxation, minimum wage legislation, the regulation of contracts of employment, and so on - on the basis that such interference in the ‘free market’ constitutes a violation of economic liberty which will result in poverty rather than prosperity for all.

One thing which is clearly entirely absent from this ideological position is any awareness of the significance of the law of rent and of land as a distinct factor of production. The law of rent, formulated by David Ricardo in the early nineteenth century, and incorporated fully into the science of political economy by Henry George in the late nineteenth century, states that the rental value of a particular site is equal to the potential excess of output which may be obtained from this site over and above the potential output which may be obtained, from the same application of labour and capital, on a site of equal area which is the least productive in use. One important implication of this law of economic reality is that the productive potential of a given site is reflected in the rental value of this site – those in the most valuable locations have the highest productive potential, while those in the least valuable locations have the lowest productive potential. It follows from this that firms utilizing sites in different locations are not
necessarily able to bear the same burdens of taxation, even if they are managed to the same level of efficiency: those utilizing sites in more valuable locations are able to bear a higher burden of taxation than those utilizing sites in less valuable locations; while those utilizing sites in the least valuable locations may not be able to bear any tax burden at all.

One obvious problem for the neo-liberal position sketched above is that if the core functions of the state are funded through the imposition of flat or proportional taxation on incomes, wages, or consumption, then many of the firms utilizing sites in less valuable locations which would have been viable in the absence of such taxation will be not in fact be viable. This is partly because unlike profitable firms based in more valuable locations, efficiently run firms based in less valuable locations making just enough to cover the costs of production have no reserves from which to pay an additional tax burden. Another problem is that firms which do remain viable even after the imposition of such taxation will employ fewer workers and create less wealth, since the taxation of productive economic activity – in the form of income, payroll, and value-added tax – artificially increases the pre-tax wages that employers are required to pay, and artificially reduces the demand for the goods and services that each firm produces.

The inevitable result of the flat-tax system endorsed by the neo-liberals, then, is to generate an economic environment which is not conducive to productive economic activity, thereby impeding and suppressing wealth-creation and prosperity. And what this means is that the role of the state must inevitably expand far beyond the core functions envisaged by the neo-liberals, to incorporate the provision of the extensive set of welfare services and benefits necessitated by the poverty and unemployment resulting from the taxation of productive economic activity. This then means that it is not possible to create a low-tax economic environment which is conducive to productive economic activity – what the neo-liberals refer to as a ‘low-tax’ economy is in fact a high-tax economy which makes prosperity for all impossible to achieve.

An important implication of the above analysis is that those impoverished by the imposition of taxation on productive economic activity are in no way personally responsible for their plight: it is not because people are naturally less talented or able that they find themselves dependent on welfare and barely able to make ends meet; and it is often not the most economically productive who end up among the most well-off in society. It is rather that the most well-off are able to systematically exploit the least well-off by privately appropriating the natural source of public revenue – the rent of land. The possibility of this systematic parasitical exploitation arises from another fact of economic reality connected to the law of rent – namely, that the value of land does not derive from the efforts or productive contributions made by the owners of valuable sites, nor in deed from the efforts of any individuals qua individuals. The rent of land derives rather from the efforts, productive contributions, and simple existence of the wider community of which each landowner is but one small fraction, as well as from the public goods and services the provision of which constitutes the core functions of the state.

This being the case, it follows that if these core functions of the state are funded through the imposition of taxation on productive economic activity rather than through the socialization of land rent, then the private owners of valuable sites will find themselves in a position to appropriate value that they have not created, while those who do not own valuable sites will be compelled to hand over a substantial proportion of value that they have created – the wages and interest earned from contributions of labour and capital – to the public authority which is responsible for the protection of legal rights, including the right to private property. In this way, the privatization of land rent results in the violation of the natural rights of producers to the fruits of their labour, as well as the violation of citizens’ natural rights freely to utilize the opportunities provided by nature for the pursuit of their individual aims and purposes. Thus, the legal protection of the right to full, unconditional private property in land is incompatible with the effective protection of the right to private property in the broader sense in which this right has been identified by classical liberal thinkers as the foundation of economic liberty and prosperity for all. As George put it, when ‘non-producers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labour is to that extent denied’. For this reason, to affirm that people can rightfully claim exclusive ownership in their own labour as embodied in material things, ‘is to deny that any one can rightfully claim exclusive ownership in land’.

What this means, of course, is that the reason that a substantial proportion of the citizens of economically advanced liberal democratic societies are deprived, impoverished, and in need of assistance is not that economic liberty in these societies is too strongly protected, but rather that economic liberty is systematically violated by the privatization of land rent. A shift in the burden of taxation from productive economic activity to the rental value of land would generate a genuine free-market society in which citizens’ rights to create, acquire, and utilize private property in the pursuit of their aims and purposes could be effectively protected. Thus, the socialization of land rent is an essential precondition both for the effective protection of economic freedom, and for the creation of an economic environment, which is conducive to wealth-creation and prosperity for all.

Unfortunately, it is not only proponents of neo-liberal policies and institutions, but also the left-leaning opponents of the neo-liberal ideology who lack awareness of the law of rent and its significance. Since the early 1970s the dominant force within in the mainstream liberal academic community has been the left-leaning form of liberalism – which I shall refer to as ‘social liberalism’ – which began to emerge in the mid-nineteenth century in response to the social problems which seemed to have arisen under the laissez-faire institutions endorsed by the classical liberals of the eighteenth and early nineteenth centuries. The American political philosopher John Rawls was by far the most influential thinker in the modern social liberal tradition, and contemporary social liberal thinking still takes place very much in his shadow. Rawls proposed two principles of justice, the first relating to civil and political rights and liberties, and the second relating to the economic sphere. An important aspect of his second principle was the idea that economic inequalities are justifiable only if they are necessary to improve the life prospects of the least well-off members of society, and should be eliminated if they are not justifiable in this way.

Rawls attempted to justify his second principle of justice by arguing that differences in people’s natural talents and abilities are entirely morally arbitrary: those blessed with superior natural talents and abilities cannot be said to ‘deserve’ the economic advantages they obtain by exercising these talents and abilities; while those who happen to be naturally less talented cannot be said to ‘deserve’ the disadvantages that result from their lack of fortune in the ‘natural lottery’. Rawls argued on this basis firstly,
that economic inequality must be justifiable to the least well-off members of society, and secondly, that the only way in which inequality could be justified to the least well-off was by being shown to improve their overall positions and life-prospects (for example, by providing incentives that encourage the development of skills and the performance of difficult or dangerous work). For Rawls and his followers of political liberalism, the right to private property, together with the inequalities that they generate, are valuable only to the extent that they improve the life-prospects of the least advantaged members of society, and must be restricted to the extent that they do not achieve this fundamental demand of social justice.

Since the contemporary followers of Rawls lack any awareness of the law of rent, they have tended to object to the classical liberal narrative not by challenging the conception of economic liberty that constitutes one of the key features of that narrative, but rather by rejecting the causal connection drawn by the classical liberals between individual economic liberty and prosperity for all. The social liberal narrative is that it is the excessive protection of individual economic liberty resulting from the implementation of pro-free market neoliberal policies since the late 1970s that has generated poverty, deprivation, and unjustifiable economic inequality. Considered from this perspective, the central problem of our time is that ‘free market capitalism’ allows the most naturally talented and productive members of society to benefit from what Paine called ‘the fruits of their labour, in what is privately created. Only a shift in the burden of taxation – the rent of land – has resulted in the socialization of too much accumulation back again to society from whence the whole came’.

Regrettably, it was Paine’s idea of wealth as ‘the effect of society’, rather than his initial focus on the idea of a ‘ground-rent’ owed by ‘proprietors of cultivated lands’, that was to form one of the cornerstones of the social liberal tradition. Early in the twentieth century L. T. Hobhouse, perhaps the most notable of the ‘New Liberal’ thinkers influenced by the social liberalism of John Stuart Mill, followed Paine in combining support for some form of land-rent taxation with a much broader conception of socially created property than any suggested by the law of rent. On Hobhouse’s account, the social origin of property derives from the status of machinery, technology, and knowledge as gifts ‘of acquired civilization’ – methods and conditions of production which ‘have been built up by the collective effort of generations of men of science and organizers of industry’, and which derive from ‘the general progress of the world’. Hobhouse thought that the social origin of property justified the imposition of high rates of progressive income and inheritance taxation which would be unlikely to diminish the supply of capital or to discourage the provision of any service of genuine social value.

More recently, proponents of the so-called ‘knowledge inheritance theory of distributive justice’ have argued on the basis of a similar conception of socially created property that a large proportion of the wealth which exists in liberal democratic societies – perhaps as much as 80% - is in fact socially created, and should as a matter of basic justice be reallocated equally to all members of society. One implication of this conception of socially created wealth (now widely accepted by contemporary social liberal thinkers) is that since privately created property constitutes only a small proportion of total wealth, strongly protected individual economic liberty is compatible with the imposition of very high rates of taxation and state expenditure – perhaps as high as 70-80% of Gross Domestic Product (GDP): if only 20-30% of total wealth is attributable to individual productive contributions, then citizens can be economically free even if two-thirds or more of GDP is socialized.

A clear understanding of the law of rent and its implications tells us that this increasingly influential conception of ‘socially created’ wealth is far too broad, providing unsound and illegitimate grounds for the implementation of interventionist policies which would restrict economic liberty and suppress productive economic activity even further than is currently the case in contemporary liberal societies. In the light of his understanding of the law of rent, Henry George saw that what Paine referred to as ‘the effect of society’ in making possible the creation and accumulation of personal property was itself reflected in the rental value of land. Sites located in close proximity to large numbers of people with the knowledge, skills, and training needed to operate the most productive machinery and technology were more potentially productive, and therefore more valuable, than sites located further from such agglomeration centres. Thus, as George put it, the rental value of land ‘expresses in exact and tangible form the right of the community in land held by an individual’, and therefore ‘the exact amount which the individual should pay to satisfy the equal rights of all other members of the community’.

Deprived of the illumination provided by a clear understanding of the law of rent, the social liberal critics of classical liberal thought have mistakenly concluded that one of the main reasons for the problems facing the citizens of contemporary liberal societies is that not enough wealth has been socialized. The real problem, of course, is that the privatization of what should be socialized – the rent of land – has resulted in the socialization of too much of what is privately created. Only a shift in the burden of taxation from productive economic activity to the rent of land will create the flourishing free market economy that is essential both to the effective protection of citizens’ rights to the fruits of their labour, and to the achievement of prosperity for all.
HOW TO COMBAT TODAY’S GLOBAL CRISIS

In *Progress and Poverty* Henry George sought the ‘cause of industrial depressions and the increase of want with the increase of wealth’ and offered a ‘remedy’ which remains as relevant to the problems of poverty and inequality we face today, as when he first wrote, but it also opens a new way of dealing with environmental pollution.

To understand the relevance of the ‘remedy’ we need to understand what causes poverty and inequality. The cause is institutionalised, just as slavery once was. As Mandela pointed out in his Trafalgar Square speech in 2005: ‘Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings.’

What is the institution that makes poverty inevitable? Adam Smith described it very succinctly in *The Wealth of Nations*:

“As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon land.”

More recently on the 27th of December 2009 John Kay wrote in the *Financial Times*:

“You can become wealthy by creating wealth or by appropriating the wealth created by other people. When the appropriation of the wealth is illegal it is called theft or fraud. When it is legal economists call it rent-seeking”.

But, economists will say, private property in land is essential for economic development. Without security of tenure, nobody is going to invest in sowing crops or building a business. As Hernando de Soto pointed out in *The Mystery of Capital* economic success has everything to do with the legal structure of property and property rights.

At the end of the 19th century there was growing friction between industrialists and workers over pay and the appalling conditions under which so many workers lived was troubling the conscience of society. This prompted Pope Leo XIII in 1891 to issue his encyclical *Rerum Novarum*, ‘to refute false teaching ... in the interest of the Church and the commonweal ... [He] thought it useful to speak on the condition of labour ... [and] to treat expressly and at length, in order that there may be no mistake as to the principles which truth and justice dictate for its settlement’.

He acknowledged that it is not easy ‘to define the relative rights and the mutual duties of the wealthy and the poor, of capital and labour’, but notes that ‘by degrees it has come to pass that working men have been given over, isolated and defenceless, to the callousness of employers, and the greed of unrestrained competition ... so that a small number of very rich men have been able to lay upon the masses of the poor a yoke little better than slavery itself’.

‘To remedy these evils the Socialists, working on the poor man’s envy of the rich, endeavour to destroy private property, and maintain that individual possessions should become the property of all, to be administered by the State or by municipal bodies. They hold that, by thus transferring property from private persons to the community, the present evil state of things will be set to rights’. The Pope argued that these proposals are ‘unjust, because they would rob the lawful possessor, bring the State into a sphere that is not its own, and cause complete confusion.’ History has demonstrated the shortcomings of the Communist experiment in the Soviet Union.

He goes on: ‘It is surely undeniable that, when a man engages in remunerative labour, the very reason and motive of his work is to obtain property, and to hold it as his own private possession. If a man hires out his strength or industry, he does this for the purpose of receiving in return what is necessary for food and living ... Thus, if he lives sparingly, saves money, and invests his savings, for greater security, in land, the land in such a case is only his wages in another form; and, consequently, a workingman’s little estate thus purchased should be as completely at his own disposal as the wages he receives for his labour. But it is precisely in this power of disposal that ownership consists, whether the property be land or movables.’ A bit further on the Pope repeats: ‘Hence man not only can possess the fruits of the earth, but also the earth itself’.

While George agreed that the fruit of a person’s labour belongs to them, he takes issue with the Pope over the morality of land ownership in an open letter. He begins: ‘Your Holiness: I have read with care your Encyclical letter on the condition of labour, addressed ... to the Christian World.

‘Since the most strikingly pronounced condemnations are directed at a theory that we, who hold it, know to be worthy of your support, I ask permission to lay before your Holiness the grounds of our belief and to set forth some considerations you directed at a theory that we, who hold it, know to be worthy of your support, I ask permission to lay before your Holiness the grounds of our belief and to set forth some considerations you

‘Our postulates are all implied in your Encyclical. They are the primary perceptions of human reason, the fundamental teachings of the Christian Faith: We hold that:

“This world is the creation of God. The men brought into it for the brief period of their earthly lives are the equal creatures of His bounty, the equal subjects of His provident care.

*By his constitution man is beset by physical wants, on the satisfaction of which depend not only the maintenance of his physical life but also the development of his intellectual and spiritual life.*
God made the satisfaction of these wants dependent on man’s own exertions, giving him the power and laying on him the injunction to labour – a power that of itself raises him far above the brute, since we may reverently say that it enables him to become, as it were, a helper in the creative work.

God has not put on man the task of making bricks without straw. With the need for labour and the power to labour, He has also given man the material for labour. This material is land – man physically being a land animal, who can live only on and from land, and can use other elements, such as air, sunshine and water, only by the use of land.

Being the equal creatures of the Creator, equally entitled under His providence to live their lives and satisfy their needs, men are equally entitled to the use of the land, and any adjustment that denies this equal use of land is morally wrong.

Being created individuals, with individual wants and powers, men are individually entitled … to the use of their own powers and the enjoyment of the results.

There thus arises, anterior to human law, and deriving its validity from the law of God, a right of private ownership in things produced by labour – a right that the possessor may transfer, but of which to deprive him without his will is theft.

This right of property, originating in the right of the individual to himself, is the only full and complete right of property. It attaches to things produced by labour, but cannot attach to things produced by God:

Unfortunately, the encyclical remains the basis of Catholic social teaching to this day, thus supporting the status quo, but it is at odds with St Gregory the Great (Pope 590-604):

“Those who make private property of the gift of God pretend in vain to be innocent, for in thus retaining the subsistence of the poor they are the murderers of those who die every day for want of it”.

In 1881, a contemporary of Henry George, Dr Thomas Nulty, Bishop of Meath in Ireland, came independently to recognise the injustice of the private ownership of land and called in a pastoral letter for a radical reform of the Irish land tenure system. He acknowledged that evil social institutions had long endured - the slave owner’s right of property was regarded as sacred as any other property right - but the world’s approval, the bishop argued, could not justify injustice. The death knell of slavery was only sounded when public attention was fixed on the intrinsic nature of slavery. Then it was no longer acceptable.

History has shown that land enclosure creates two classes in society, the landowners and the landless. The latter can only live by paying a rent to the former for the right to use land which is God’s gift to all humanity. The landowner is thus in receipt of an unearned income simply because society permits land to be owned, just as it once permitted slaves to be owned. Adam Smith was in no doubt about the effect: the landowner ‘acts always as a monopolist, and extracts the greatest rent which can be got for the use of his ground’.

Winston Churchill was even more explicit:

“No matter where you look or what examples you select, you will see every form of enterprise, every step in material progress, is only undertaken after the land monopolist has skimmed the cream for himself, and everywhere today the man or the public body that wishes to put land to its highest use is forced to pay a preliminary fine in land values to the man who is putting it to an inferior one, and in some cases to no use at all. All comes back to land value, and its owner is able to levy a toll upon all other forms of wealth and every form of industry. A portion, in some cases the whole, of every benefit which is laboriously acquired by the community increases the land value and finds its way automatically into the landlord’s pocket. If there is a rise in wages, rents are able to move forward, because the workers can afford to pay a little more. If the opening of a new railway or new tramway, or the institution of improved services, of a lowering of fares, or of a new invention, or any other public convenience affords a benefit to workers in any particular district, it becomes easier for them to live, and therefore the ground landlord is able to charge them more for the privilege of living there”.

He then gave an example which illustrates why the welfare state is no solution to poverty and the widening gap between rich and poor:

“Some years ago in London there was a toll bar on a bridge across the Thames, and all the working people who lived on the south side of the river had to pay a daily toll of one penny for going and returning from their work. The spectacle of these poor people thus mulcted of so large a proportion of their earnings offended the public conscience, and agitation was set on foot, municipal authorities were roused, and at the cost of the taxpayers, the bridge was freed and the toll removed. All those people who used the bridge were saved sixpence a week, but within a very short time rents on the south side of the river were found to have risen about sixpence a week, or the amount of the toll which had been remitted!”

Today, Housing Benefits and other welfare payments have the same effect. Churchill concluded: ‘We do not want to punish the landlord. We want to alter the law’.

Churchill was one of the most outspoken supporters of Henry George who had realised that the injustice of landownership could be ended by reforming taxation. It did not require the redistribution of land and could be introduced in stages so that it did not disrupt the economy.

Currently the rent of land goes to the landowner. George proposed that the rent be paid to the state, not as the landowner, which would amount to land nationalisation, but as the natural way to fund government without distorting the economy. The corollary was the abolition of all economy distorting taxes, which is why his proposal became known as the ‘single tax’.

Title to land and security of tenure would remain undisturbed but would carry with it an obligation to pay the market ground rent to the government in lieu of tax. All improvements, such as buildings, would not be included in the valuation, unlike today where improvements are taxed with VAT and property taxes, making some improvements unaffordable to the detriment of society. In a dynamic economy, rent would vary from time to time and from place to place and should therefore ideally be assessed on a yearly basis.

Winston Churchill was even more explicit:
George called this payment a land-value tax to make clear that it was based on the market value, not on the acreage, of land, but it is not really a tax. It is a ground rent, reflecting the market valuation of the benefits accruing to the site. These benefits can be natural such as fertility and rainfall for agricultural land, but in an advanced economy location becomes the dominant factor – location, location, location as the estate agents say. For example in London, a good state school in the neighbourhood can add £100,000 to the value of a property. This extra value has nothing to do with the house, which may need renovation, but everything to do with the value parents place on being able to send their children to a good school, in other words, the location. Currently the existing owner reaps the benefit of the uplift in location value. Were George’s proposal implemented, the government would be the beneficiary of an annual ground rent of about £5,000 pa. The parents would also benefit: instead of having to borrow an extra £100,000, they would only have to pay £5,000 in monthly instalments over the course of the year. The remaining £95,000, or part of it, would be available for renovating the house, if needed, benefiting local tradespeople and the economy generally. An actual win/win situation.

Much the greatest benefit of George’s reform is the removal of the injustice that causes poverty. There would be no landowner demanding the lion’s share of the produce or taxman seeking a cut, so the worker would keep the full reward of his efforts. The payment he makes to the government would be for the benefits he derives from society where he lives or works, and he would know how much he would have to pay by choosing where to live and work. To maximise its receipts, government would be incentivised to maximise the benefits they provide to society. Funded out of rent rather than arbitrary taxes, government income would be more predictable year on year and tax avoidance be almost impossible - and unnecessary.

If government were to receive a market-determined ground rent from all occupied properties in the country, public services could be funded without taxation. The replacement of taxation would in itself be a huge benefit to society. As Lord Soames pointed out in The House of Lords on July the 3rd 1978: ‘If one were to set out with a specific, stated objective of designing a tax system which would penalise and deter thrift, energy and success, it would be almost impossible to do better than the one which we have in this country today.’

George’s reform would also restore a right relationship between humanity and the earth. As Mrs Thatcher put it at the Conservative Party Conference in 1988: ‘No generation has a freehold on this earth. All we have is a life tenancy – with a full repairing lease.’ It is not suggested that Mrs Thatcher fully understood the implications of her statement, but it neatly sums up Henry George’s argument and reminds us that the leaseholder, in addition to paying the rent, owes a duty of care to keep the land in good condition, thus taking care of the environment.

It would be too disruptive of the economy and banking system to introduce George’s reform at a stroke. Existing taxes would need to be abolished, a few at a time, while a proportion of the ground rent were collected on a revenue neutral basis. At each stage, as more taxes were abolished, a higher percentage of the rent would be payable until all taxes were abolished and government was funded entirely out of ground rents.
This accessible book from the New Economics Foundation offers valuable new insights into the UK housing crisis.

Land tax advocates will find the sections which deal with supply and demand in the housing market a useful summary of economic knowledge. This makes Rethinking Economics of Land and Housing a welcome resource to “fact check” the many housing policy proposals.

My copy now falls open on page 82. There in black and white are the rates of house building in the UK since 1949. Thus a recent pledge to build 5,000 houses a year over the next five years, compares rather poorly with the 350,000 built every year in the 1960s and 70s.

Also welcome is the summary on the relation between land and debt. The authors do a good job of showing how the deregulation of the financial sector has caused instability, unproductiveness and homelessness. Their account provides a temperate alternative to Positive Money’s work on debt, while being more accessible than a treatise by Joseph Stieglitz.

Also useful is how the authors concisely describe the historical genealogy of competing theories of political economy since Adam Smith. For those not already familiar with Mason Gaffney and Fred Harrison, sections such as “Political reasons for the disappearance of land from political theory”, provide genuinely eye-opening story of how an alternative and fallacious interpretation of the three basic factors of production became economic dogma. Backed by reasonably sound economics, the authors establish a convincing narrative that goes some way to explain the neo-classical perversion of economic science that has caused the housing crisis.

However, the definition of land as “locational space” subtly falls into a reductionist trap set by neo-Classical economics. Any definition of land is inadequate if it does not explicitly account for all the commons, such as communications infrastructure and knowledge itself. As George showed, “Land” is a better term since it refers to the broad shoulders of culture on which we stand, as well as the gifts of nature we are given to work with.

This reductive definition of the central concept of land reading reveals Rethinking Economics does not have the methodological resources needed to tackle the housing crisis. This is because the housing crisis is a political choice. The authors own findings show this. For example, they state that the “normative element” to Clark’s gloss on marginal utility theory was key to its success. Yet the authors state they will avoid discussion of “moral problems”.

Thus Rethinking Economics of Land and Housing cannot explain why land value tax has appeared on all the main political parties’ manifestos, except the Conservatives, and Labour nearly won the election on the basis of its manifesto for economic reform, all of which is presumably against the wishes of the rich and powerful.

The influence of British Marxism also appears in the appraisal of Henry George’s contribution to economics. While the authors give George a central place in their analysis of land and the housing crisis, they blame the failure of land tax to become law on the “failure” of his campaign. Specifically, they cite the failure of “socialist and single tax progressive movements to unite on [land taxation]”. On the contrary, history and logic show it was the British Marxists, following Marx and George Bernard Shaw, who failed to grasp the simple justice of the Single Tax, the errors of their own economic philosophy apparently not clear to them at that time, and who called Henry George a “traitor”.

Thus, while attempting to present an unbiased account of the housing crisis, the authors incorporate old political prejudices with methodological weaknesses which undermine the integrity of their insights, if not the nobility of their motivations. It is disappointing that these promising economists have not learnt from Henry George’s attempt to rescue the discipline of political economy from the sophistic blunders of neo-classical economics, nor from the great failings of Marxism.
BOOKS WORTH READING
For an overview of the history of George’s economic ideas we commend *Henry George’s Legacy in Economic Thought* edited by John Laurent. With eleven contributions from scholars from Australia, Canada and the USA it is divided into three parts.

Part one gives four chapters on the historical background and the controversies of George’s time. Part two offers three chapters covering theoretical issues such as land ownership and the market. Part three covers in four chapters current debates on the feasibility of Land-Value Tax, the main criticisms and defences and the question of the ‘land-rich-and-income-poor’, equal rights, competition and monopoly, and regulation of the commons.

The book maintains a high standard of scholarship throughout and is suitable as a university text book on the history and theories of George as well as for a general readership.


The publication consists of six extended essays ranging from George’s critics, proprietorship, the social philosophy of George, and the land and capital theory. The essays that deal with the critics of George are especially interesting and worth reading because they offer a good view of the history of the debates that arose with George’s analysis of the economy.

Not all the essays have an equally correct grasp of George, though. For example one argues that George advocated nationalisation of land, and identifies George as a ‘social utopianist’. It is surprising the editor allowed these misleading ideas. George’s merit lies in his analysis of society and its economic functioning, rather than in any ideology or utopian dream. The majority of the essays appreciate this.

HGF BRIEFING NOTES
FRIDAY MEETINGS AT MANDEVILLE PLACE
The Friday Evening meetings have continued in the winter and spring. David Triggs has been active as the intellectual, well-read ringleader exploring Henry George’s most influential work, *Progress and Poverty*.

The Friday Evening Meetings at Mandeville Place will continue, and the topics covered will be published on the HGF website.

Go to: www.henrygeorgefoundation.org

Outside Mandeville Place talks and lectures have also been held; of special note is the recent talk on 19th March by Dr Joseph Milne titled *The Housing Crisis and the Common Good* at Friends House.

For our American subscribers we have been asked to promote the event *Ethics, Morality and The Land Question*, which is sponsored by the CGO and will be held in Baltimore, on 30th August 2018.

LAND&LIBERTY FREQUENCY
The editors of Land&Liberty have decided to raise our ambition. Thus you can now expect the magazine to be published as a true quarterly with an issue in the early spring, early summer, early autumn and one in early winter before the holidays.

We are keen on providing the highest quality of content to our subscribers, and thus this commitment of four magazines per year can only be upheld if a high number of worthwhile articles are contributed. Submitted articles must be exclusive to Land&Liberty.

If you have an idea for an article please get in touch via e-mail.

Write us at: editor@landandliberty.net

Let us also use this opportunity to sincerely thank everyone who has already contributed with their excellent writing thus far.

Go to: www.henrygeorgefoundation.org

Go to: www.henrygeorgefoundation.org
closing thoughts
Edward J. Dodson

RESPONDING TO CONSERVATIVE, LIBERTARIAN, AND PROGRESSIVE IDEOLOGY

As I often say to my students, “history if very messy.” There has always been a strong individualist orientation within the “American” population, the dynamics of which were described by Frederick Jackson Turner looking at the influence of the frontier. We need to remember that “the frontier” during the era of the nation’s founding began not very far beyond farmlands surrounding Boston, Philadelphia, Baltimore or Williamsburg.

From the very beginning the debate raged over the extent to which government is necessary to protect life, liberty and property. And, integral to this debate was the debate over the need to distinguish between societal and individual property. Was nature (i.e., land) justly to be owned by individuals; and, if so, did those who held deeds to land owe to the community or society “the rent of land” for the privilege? Thomas Paine (building on arguments by John Locke, Adam Smith and Anne Robert Jacques Turgot) put this argument into practical form in his essay *Agrarian Justice*.

In my own writing I have described Paine as the architect of a very distinct set of principles, cooperative individualism. Paine thought through the problems of governance to advance a structure that would secure and protect individual liberty within a cooperative societal framework. Was he more libertarian, or more progressive? What he opposed was privilege in any form. The kernel of his insights found expression in the early writing (Social Statics, 1851) of Herbert Spencer on “the land question.” The Scot, Patrick Edward Dove also contributed to the same line of thinking.

Cooperative individualism found its next, and, arguably most effective champion, late in the 19th century with the emergence of Henry George. George’s first book dealt specifically with the land question. To George’s credit, he was accused by defenders of the status quo of being a socialist and by socialists of being a tool of the capitalists. Among those who came to embrace the principles embraced by Henry George is a very eclectic list of profound thinkers, reformers, statesmen and civic leaders. The 1909 campaign speeches of Winston Churchill described the monopoly of land as “the mother of all monopolies.” Leo Tolstoy did his best to convince the czar and Russia’s aristocracy that only by adopting Henry George’s policies could revolution be avoided. Sun Yat-Sen took Henry George’s proposals into his campaign to unite the Chinese under a modern form of democratic republic.

In the United States, the Wilson administration included Louis Freeland Post and other devoted supporters of Henry George’s “single tax” program. Frederic Howe, appointed Commissioner of Ellis Island, had worked in the mayoral administration of Cleveland’s “Georgist” mayor Tom L. Johnson. In the 1920s Francis Neilson founded *The Freeman* and brought Albert Jay Nock on as editor. Both were strongly influenced by George and Paine. A later version of *The Freeman* was published as the organ of the Henry George School of Social Science and edited by Frank Chodorov, a family friend of the senior William F. Buckley. Because of this family friendship, William F. Buckley Jr. came to see the wisdom offered in Henry George’s writings but, as he offered during one interview, his conservative friends did not want to entertain such a radical departure from the American System. Milton Friedman told a stunned audience that the best source of public revenue was the rent of land, as proposed by Henry George.

If history is messy, ideology is conflicted. Those on the Right want to preserve privileges they argue are rights. Those on the Left want to preserve privileges they argue are necessary to mitigate the more deeply-entrenched privileges guarded by the Right. Libertarians claim to be opposed to coercion of any sort. Yet, they ignore the fact that the private appropriation of the rents yielded by the control over nature effectively results in the redistribution of property from its producers to a privileged “rentier” segment of society. Inevitably Cooperative Individualism is the true “third way”. ☛
...What protection teaches us is to do to ourselves in time of peace what enemies seek to do to us in time of war.

Henry George, *Protection or Free Trade* 1886
Our Philosophy

What is Land&Liberty?

Land&Liberty, a quarterly magazine published by the Henry George Foundation, has chronicled world events for over 100 years. Dedicated to promoting economic justice along lines suggested by the American writer, social reformer and economist Henry George, it offers a unique perspective to stimulate debate on political economy with its reports, analysis and comment.

Who was Henry George and what is special about his ideas?

In 1879 George published one of the bestselling books on political economy ever written, Progress and Poverty. By the twentieth century the wisdom he expounded was recognised and supported by many of the world’s most respected thinkers including, Tolstoy, Einstein, Churchill, Keller, Shaw, Huxley, Woodrow Wilson, Stiglitz, and Friedman. Today, as the world faces environmental and economic crises, we believe George’s philosophy is more relevant than ever. But, as George foresaw in Progress and Poverty, and is inscribed on his gravestone:

“The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured.”

Today Henry George is mostly remembered for his recognition that the systems of taxation employed in his day, and which continue to dominate fiscal policy in the UK and throughout the world, are unjust, inefficient, and ineffective.

He saw how taxes discourage wealth creation, positive economic activity and employment and prevent people and nations from realising their full potential. By ignoring property rights they involve theft and encourage dishonesty and environmental abuse. In short, as a method of raising public revenue, they fail. By offering an alternative, George also showed that taxes are unnecessary.

George realised that some land at particular locations acquired a value that was not due to the actions of any individual or firm but was due to natural influences and the presence, protections and services provided by the whole community. He saw that this value grows as the need for public revenue grows and is sufficient to replace all existing taxes. This could be collected by levying a charge based on land values and is commonly referred to as land value tax or LVT. However, George was clear that this is not actually a tax but is a rental payment individuals and groups need to pay to receive exclusive use of something of value from the whole community, i.e. the exclusive possession of a common, limited and highly-valued natural resource.

Henry George’s ideas were not limited to his proposal to change taxes. His profound body of theory also included issues such as: the difficulties inherent in the study of political economy, the fundamentals of economic value, a proper basis for private and public property, trade, money, credit, banking and the management of monopolies.

Key to ‘the truth’ that Henry George tried to make clear is that every thing is bound to act in accordance with the laws of its own nature. He saw that these laws of nature operate everywhere, at all times, and throughout a creation that includes man and society and the worlds of body, mind and spirit. Further, that people and societies can only behave ethically and succeed in their own designs where they take proper cognisance of, and act in harmony with, those natural laws.

This magazine is free, as are the meetings and classes of its publisher, the Henry George Foundation. However, we rely entirely on charitable donations of members, supporters and friends to survive.

To receive complimentary copies please send your name and postal address to:

The Henry George Foundation, PO Box 6408, London, W1A 3GY

or email editor@landandliberty.net

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To: The Manager (name and address of bank)

Please pay: The Henry George Foundation of Great Britain A/C 51064320

Sort Code 40-06-03 at HSBC Bank, Belgravia Branch, 333 Vauxhall Bridge Road

on _ / _ / _ (date) and then every succeeding _ month _ quarter _ year

and thereafter until further notice or _ / _ / _ (date) the sum of £____________

My Account No. ___________ ___________ ___________ ___________ ___________ Sort Code ___________ ___________ ___________ ___________ ___________ Name of Account __________________________ Signed __________________________

If you are a UK tax payer you can make your donation go further by making a Gift Aid Declaration. If we get an extra 25p from HM revenue and customs. To make your donation Gift Aid please tick the box and sign below:

☐ Today ☐ In the past four years ☐ In the future I am a UK taxpayer and understand that if I pay less Income Tax and/or Capital Gains Tax than the amount of Gift Aid claimed on all my donations in that tax year it is my responsibility to pay any difference.

Name __________________________ Address __________________________

Signature __________________________ Date __________________________

If you are able to commit to a regular donation through a standing order that would be particularly welcome.

Post Code __________________________

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