LAND & LIBERTY
2008 & 2009
IN CONTROVERSIAL new proposals being put forward in the US and the UK, a person’s right of property in their body and its parts would be transferred - away from the individual and the next of kin - and taken by the state. The idea is presented as a key ingredient of plans to increase the number of organs available for transplant.

Under the proposals a system of ‘presumed consent’ would see the dead routinely harvested for their organs without the permission of either the deceased or loved ones. UK Secretary of State for Health, Alan Johnson, has asked the Organ Donation Taskforce to look at the idea and report back in the summer. Nineteen EU countries already have such a system in place, and enjoy minimal transplant waiting lists.

The BMA - the UK doctors’ professional organisation - is lobbying for the change. They say the present system is failing to provide the number of organs required, pointing out “at least one person dies every day while waiting for an organ transplant”.

Under the BMA’s preferred plan, if individuals did not register to ‘opt out’ of the scheme, ‘donation’ would proceed unless the next of kin could demonstrate an “unregistered objection by the individual or because it would cause major distress to the close relatives”. New law would assume the state’s moral entitlement to the individual’s body after death.

Writing in the *American Journal of Bioethics* Dr. Robert Truog, Professor at Harvard Medical School, asks: “Are organs personal property or a societal resource?” Truog argues that, while alive, people’s organs are their personal property, but after death their organs should indeed be considered “a societal resource”.

But some believe a policy of presumed consent is ethically problematic. Bioethicist Dustin Ballard believes so “regardless of its potential benefit, for several reasons”. The present ‘opt-in’ scheme is promoted as allowing the individual to “give the gift of life”. Ballard argues the new proposals downgrade that ‘gift’ to coercion. While some bioethicists say the greater common good warrants the change, many are not so sure. Some contend that immorality is being defended in pursuit of fiscal meanness and technocratic and political expediency.

The new proposals would mean valuable assets otherwise out of reach could be put to use. But it’s argued that the individual’s right in property to their own body - the starting point of all codes of property - is being seized - and with it stolen the individual’s ability to give ‘the gift of life’.

This year will see a different kind of political drive to win hearts and minds.
CARDINAL KEITH O’Brien has described organ donation as “noble and meritorious” but he has moral objections to ‘presuming’ the consent of the dead. There are problems too from a fundamental property rights perspective.

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columnists

Edward J Dodson is Director of the us-based School of Cooperative Individualism. He is author of Discovery of First Principles.
Lars Rindsig is Executive Editor of Land & Liberty and a board member of the Danish Justice Party.
David Triggs is Executive Chairman of the Henry George Foundation, publisher of Land & Liberty.

news in brief ...

the fine line New parking rules from 31st March will introduce a system of geographically graded fines in England and Wales. According to the BBC, “the Traffic Management Act will create five different penalty bands each incorporating a higher and lower level. Each local authority in England will be subject to one of the five bands”. Metropolitan authorities in dense urban areas will be able to charge offending motorists more for illegal occupation of their valuable road space. Rural authorities will impose lower fines.

american homes The US National Association of Home Builders has just published a 360-page report on how to achieve affordable housing. It gives favourable consideration to land value taxation. NAHB is a mainstream organisation in the building industry, representing 800 state and local associations and with a quarter million members. Josh Vincent, Director of Philadelphia’s Center for the Study of Economics, asks: “Well, if a hard-headed group like this can be educated about land value taxation, why not the rest of the world?”

land tax limbo Denmark’s status as a pioneering land tax nation is rapidly fading. Liberal Tax Minister Kristian Jensen is contemplating abolishing the annual valuation of land and property. The Liberal/Conservative coalition government has introduced a cap on all taxes, and the need for future valuations is thought to be void. Last autumn’s general election featured denunciations of land and property taxes from all parliamentary parties.

tyling up charges The system of harbour charges is to be reviewed by the Scottish Parliament. The Crown Estate collects rents supposedly for the common good. But for historic reasons levies have become unrelated to values charged for. Some local harbours pay tens of thousands a year, while Aberdeen — Europe’s principal port for North Sea oil — pays only a few hundred. Roseanna Cunningham MSP said: “You really have to ask whether such an approach has any place in a 21st-century economy, either on grounds of efficiency or equity.”
Politics is sometimes characterised as 'the art of the possible' – a remark of Bismarck's. But government's reaching out for what is 'possible' must be enlightened by a deep sense of what is 'right'.

Yet it seems that in our present age it is expediency and not morality which guides the hand of government. And we see that hand increasingly having a mind of its own.

Nic Tideman shows us how modern government's taxation has so easily avoided being what is right, and become simply a "convenient exaction, undertaken by those in power to serve their own purposes and lacking a suitable ethical rationale."

Government of course must fight its corner, and spin the principal thread of public discourse. And political language is designed to persuade. But the citizen must confront government dissemblance.

"Presumed consent" is Orwellian Newspeak for without consent. A system of opt-out coercive organ removal is of course 'possible' – and might well be expedient – but it is one more immoral government take in the long tradition which includes conventional taxation.

Our 'donation' cover story is an instance of government that has gone wrong; although, in this instance, more likely through stupidity than wickedness; government's proclivity for unethical taxation, on the other hand, at root more an instance of the latter.

We must guard against such inclinations in government. Leslie Blake reminds us of Plato's dialogue in the Republic: "Say then, my friend, in what manner does tyranny arise? — that it has a democratic origin is evident". Tyranny, observes Plato, "great and famous... the fourth and worst disorder of a State... by fraud and force takes away the property of others, not little by little but wholesale; comprehending in one, things sacred as well as profane, private and public." 'Presumed consent' is the wholesale forced taking of our sacred private earthly remains: a thing which only can be given — by consent explicit — and not taken.

In the end the 'presumed consent' argument will be lost. But it may be that, before any ethical argument wins the day, the property rights question which inheres in the proposal will bring the defeat.

The organs needed for any transplant programme could be delivered by a properly funded ongoing campaign of public education and persuasion; indeed so they should be. But governments don't want to spend that money, and are taking the easy course.

Yet the unseen but logical corollary of a dead person's body being deemed a 'societal resource' — a public asset — is that, to the degree that the body is of no public use, either in its parts or in whole, it must properly be a public liability: so that fact too must be provided for within any reform. Government has not yet thought of it, and the medical professionals advocating 'presumed consent' have a too-tightly focused perspective to have considered it, but the policy companion of coercive organ removal is the universal state provision of funerals. Once government realises that point, and does its sums, the economic imperative for this iniquitous reform will evaporate, and with it any political calls for 'presumed consent' — which will free people, once again, to 'give the gift of life'.

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Domain speculation and the internet sharks

"The internet got invented and all the land is being bought up. In 10 years' time any word you can think of will be taken: all the real estate will be gone. If one day someone wants to build a skyscraper on it, you've made a fortune. The analogy [to what I do] is real estate", says Neil Stanley, an internet domain name trader. "Whenever I register or buy a domain name, the first thing I do is park it", Stanley told the Observer. "Anyone who then types in that name will see the web page and, if they click on an ad, it generates money. I registered newsworryloans.co.uk last autumn and it probably earns £10 a week on its own. My whole portfolio is bringing in hundreds of pounds every week without me touching it, and some people are creaming in thousands. My conviction is that this is going to become mainstream because it's so easy."

Whither Grosvenor's medieval wisdom?

There is little that you can teach the stewards of the Grosvenor estates, but a puzzle emerged when one of its experts was asked about land value taxation.

The scene was the IEA's 24th annual The State of the Economy conference in London. David Triggs, Executive Chairman of the Henry George Foundation, wanted to know what the effect would be on the Grosvenor estate if taxes were removed from its buildings and placed on the value of its land, which includes 300 acres of the most valuable real estate in Central London.

You would think that the professionals who administer the estate would at least be able to assess the value of that land. After all, their archives reach back to the 17th century. The current owner, the Duke of Westminster, is the wealthiest British-born resident of the UK. Grosvenor estates has offices in 15 cities around the world managing £8.3 billion of assets in 40 countries.

Answering the question, Grosvenor's Research Director, Dr Richard Barkham, said that property was already heavily taxed, but isolating land values for special treatment was a challenging proposition. "It's not always clear what the land element is. There's a practical problem of identifying land values by and large. The land market is much thinner than the commercial property market," he claimed. "The problems with valuing land came thick and fast. Dr. Barkham declared that land values were more volatile than the property market in general, "so if you base taxation on land values you will end up with a much more volatile base". Besides, claimed Dr. Barkham, a land value-based tax would deter output. Although he conceded that the property market was a leading indicator that gave six to nine months warning of what was happening in the economy, "the data is relatively poor, which makes academic econometricians snippy about it".

Perhaps it's to be expected that those with greatest interest in the status quo might be least well prepared to unlock this puzzle.

Global Land Tool Network

The Global Land Tool Network is an international initiative facilitated by UN-Habitat. It aims to alleviate poverty and contribute to the Millennium Development Goals through land reform, improved land management and security of tenure.

GLTN is developing a set of "pro poor land tools". These are being designed to help implement policies which create societies with "sustainable equal access to land and land use". GLTN will soon publish its fifth of six new global land tools – for 'land value capture' – developed with project partner, the Earth Rights Institute.

Work from Home Day

15th May will be UK National Work from Home Day. Millions are expected to take part in the event, now in its third year. Organisers Work Wise UK are a not-for-profit initiative encouraging the adoption of 'smarter' working practices – such as flexible, remote and mobile working, and working from home. Major sponsors include telecommunications giant BT.

The initiative "hopes to give half the working population, some 14 million people, the opportunity to work smarter by 2011. The emphasis will be upon making the UK more competitive in the face of growing economies in Asia, enabling a second industrial revolution to make the UK one of the most progressive economies in the world."

Such changes in our patterns of life and work will have significant social implications. The longer-term consequences for our social geography, and its expression in the land market, are likely to be profound.

Clyde Robert Cameron (1913-2008)

Clyde Robert Cameron AO, radical land and tax reformer and the most powerful figure in the South Australian labour movement in the 1940s, has died. Cameron was a member of the Australian House of Representatives for 31 years from 1949 to 1980, a Cabinet minister in the Whitlam government and a leading figure in the Australian labour movement for forty years. Cameron was the last surviving member of the 1949-51 parliament.
Banking on nature’s bounty

The International Monetary Fund is focusing its attention on Sovereign Wealth Funds, such as the Alaska Permanent Fund, as a model for future fiscal security. The Alaska Fund uses the state’s present-day oil wealth “to produce income to benefit all generations of Alaskans”. Botswana’s Pula Fund is backed by the diamond deposits discovered in the Kalahari in the 1960s. The value of the natural resource is used to buy investment assets, the sustaining return from which is put to the common good. IMF analysts define SWFs as “special investment funds created or owned by governments to hold foreign assets for long-term purposes”. At a meeting on the 21st of March the IMF’s Executive Board approved a programme of research and analysis looking at the operation of SWFs. The work will be coordinated with the OECD.

Sovereign Wealth Funds are set up for a variety of macroeconomic purposes, and operated according to strikingly different rules. The IMF aims to prepare a set of best practices for these state investment institutions.

The principal objective of funds is usually to build up assets during years of ample fiscal revenues (to prepare for leaner years), often converting non-renewable assets to a diversified portfolio, so sharing wealth across the generations. Funds also attempt to reduce the carry-cost of reserves, pursuing higher return investment policies, allocate resources for projects such as infrastructure, secure pension reserve funds, or enhance transparency in the management of revenues.

New Zealand business writer and historian Selwyn Parker sees aspects of the funds as regressive. Writing in the Sunday Herald he says: “SWFs are giant government investment schemes that will, at their present rate of growth, become the world’s dominant investors, and because sovereign funds are managed by governments, they have the power to reverse 20 years of privatisation.”

The Sovereign Wealth Fund Institute lists 45 funds around the globe. One of the largest is the somewhat rapacious China Investment Corporation, with $200bn in assets. The newest, launched in February but already with assets of $32bn, is Russia’s Future Generation Fund. Sovereign Wealth Funds are growing quickly both in number and in size. The IMF believes SWFs “are becoming increasingly important in the international monetary and financial systems”. The Financial Stability Forum tentatively estimates foreign asset holdings at between $1.9 trillion and $2.9 trillion held in types of SWF arrangements almost twice those managed by hedge funds ($1 trillion to $1.5 trillion).

Morgan Stanley forecasts that the total value of all the world’s SWFs will be $27.2 trillion ($14 trillion) within 15 years. As Parker points out, that’s more than half the value of all the world’s shares at current prices.

Sovereign Wealth Funds are a favoured tool of oil nations with a cautious eye for when the oil runs out. The notable exception is that country ‘graced’ by the world’s second largest reserves – Iraq.

Social and fiscal models such as the Alaska Permanent Fund will become an increasingly important and visible feature of our public (and private) finance systems.

HGF News

L&L Readers will have noticed the many recent enhancements of L&L. The magazine’s publisher, the Henry George Foundation, has decided to continue its ongoing development of the publication through 2008. Fifty percent more material will be published this year than last. However to maintain these new standards, and reconcile aspirations with the resources which can be allocated, it has been decided to publish only three issues in 2008. The publisher will review its plans in the event of a change of circumstance. The magazine will continue to be produced on a pro bono basis thanks to the voluntary contributions of L&L’s writers, editors and designers as well as those involved in its distribution, packaging and despatch – and the financial donations from members, supporters and friends. The publishers would welcome reader’s and supporter’s comments on the development of L&L.

Website Dr Peter Bowman has recently taken over day-to-day management of HGF’s website, putting in a range of improvements. Visit www.HenryGeorgeFoundation.org for information about the Foundation, including the up-to-date programme of Library Group Meetings and information on important new books produced by supporters. Protection or Free Trade HGF Executive Chairman David Triggs will present a new course based on Henry George’s book Protection or Free Trade, in ten weekly sessions commencing Wednesday 30th April 2008 at 7pm at 11 Mandeville Place, London. For further information telephone the HGF office on +44 (0) 20 7917 1899.

Bequest from Mrs Peggy Hill In February we learnt of a legacy from the estate of Mrs Peggy Hill in New Zealand. Peggy and her sister, Betty Noble, emigrated to New Zealand after World War II. Betty was encouraged to make the move from England in order to help Roland O’Regan, the eminent eye surgeon in Wellington, with his books and promotional activities, and her sister and their mother joined her. On Betty’s death the Foundation received a legacy, and now we have been remembered again in the will of her sister Peggy.

The receipt of these legacies serves as a reminder to all our valued members and supporters of the benefits to the Foundation of these gifts, which enable us to continue the work to which, in their lifetime, they were so personally committed.

Change of phone number The office telephone number for both L&L and the Henry George Foundation has changed to +44 (0) 20 7917 1899, with immediate effect.
fresh thinking

The social policy charity the Joseph Rowntree Foundation has just published a major report titled "Poverty, wealth and place in Britain, 1968 to 2005". The report – a spatially analysed survey of affluence – is a contribution to the 'overarching aim' of the charity "to examine the root causes of poverty and disadvantage and identify solutions".

In setting out the background to their work, the authors point out "there is a long history of studying the geography of poverty in Britain, although every so often the importance of that geography is rediscovered...in contrast the geography of wealth is rarely seen in work on Britain".

The authors set out "to produce a consistent data series of the levels of poverty by area in Britain [and] comparable area estimates for the wealthy". To the degree that they achieve this, it is done without reference either to "land" or to "location", or to the varying economic values which attach to those.

The report does point out that "national understanding of poverty and wealth tends to be largely aspatial. National debate tends to be concerned with the proportions of households that fall into each category at each point in time: how many households are poor or wealthy, just how poor are the poor, and what share of wealth do the wealthiest have?" – but – "there is another set of questions that are also important. Where do the wealthy and the poor live? Are they becoming more geographically mixed or more estranged from each other spatially as well as socially? Furthermore, where is poverty and wealth most strongly concentrated and most evenly spread? Where are the fewest and greatest proportions of households neither poor nor rich? We know that the geography of poverty does not change particularly quickly...but it is important to understand how it has and does change over time, and equally importantly how the geography of wealth develops." The authors and JRF leave it for others to answer that critical last point – how do places become poor or wealthy? – or, just how does 'place' develop value?

The value of place

The Joseph Rowntree Foundation has just published a major report looking at poverty, wealth and place in Britain. Identifying no causes and proposing no solutions, the report surveys the scene and concludes "who is going to change this?" Here we present JRF with a briefing for a follow-up research project with change as its objective.

'PLACE' has value. It adds considerably to the cost of housing. Its relative cost undermines housing affordability. Estimates suggest 'place' adds typically from 30% (low-cost housing in highland Scotland) to over 200% (mid-to-high-end housing in central London) onto house price.

Historical surveys suggest that accessing the value of 'place' has become increasingly more difficult over time: today the acquisition of 'place' is considered to be unaffordable for most.

'Place' endows benefits to those individuals and businesses who enjoy secure tenure of them. The value of those benefits is expressed through the housing and property market. The relative locational value of a 'place' reveals itself in the cost of accessing secure tenure of a site. The value which occupants of housing put on their 'place' manifests itself in the element price of the land on which their housing sits.

But that value is not intrinsic to the property: it is an added value, given to property by the presence of the surrounding community.

Good places cost more; less desirable places cost less. People pay more to live near good schools and transport; in lusher neighbourhoods, with greener parks; on cleaner streets, on which they feel safer; with easier parking; with better services.

However, although at present the capital cost of accessing housing - paid to the seller - includes an element for those relative benefits of 'place', the benefits themselves, in fact, are provided by the community at large (whether through the public or the private sector), and not by the selling houseowner. The benefits of 'place' are provided and paid for by the wider community - largely by the taxpayer. But current tenurial, taxation and market arrangements mean that accessing the benefits of any 'place' requires the paying of a capital premium to a seller.

The economic value of place is created not within any property but beyond it - created by the natural environment and the presence and economic activity of the wider community as a whole - not by property owners. Whilst housing's bricks-and-mortar has a cost of production, for which the seller must be paid, the same is not true of the benefits of 'place' - the cost of provision of which is borne by others. Yet the relative...
Joseph Rowntree – Quaker, businessman and philanthropist – was a keen supporter of the taxation of land values. He gave his money to establish the Joseph Rowntree Foundation stating in his trust letter “it would be quite suitable for large sums to be appropriated in this direction”.

The value of place which is paid as a proportion of total housing cost can exceed two thirds and is rarely less than a quarter. It is a major element of the cost of accessing housing. If the element of housing cost attributable to ‘place’ could be disengaged from the capital cost of acquiring housing, then access to all housing – across the board – would become considerably more affordable. In addition, the social need to provide stigmatising ‘affordable housing’ – as a separate (and ‘extra-market’) category of housing provision – could be significantly reduced.

Recent policy proposals that seek to ‘disempower’ some part of the land element of housing cost suffer from several major shortcomings. One fatal flaw in all of them, arguably, is the elimination of the market’s function to distribute – equitably and efficiently – the relative benefits of ‘place’. Schemes envisage or employ one or other form of bureaucratic system of distribution on the basis of ‘need’. Yet everyone, without distinction, equally ‘needs’ housing. Non-market solutions to housing problems, including and perhaps especially the problem of affordability, inevitably fail to address such issues and problems at root.

How might the value of ‘place’ be prevented from being capitalised into unaffordable prices, without removing the market mechanism that equitably and efficiently distributes the relative benefits of ‘place’?

We propose a project which would investigate how the value of ‘place’ is connected to – and might provide a sustainable solution to – poverty and housing ‘affordability’.

It would investigate and describe possible systemic failure of, rather than local problems within, the housing market as it is presently configured; consider whether such failure relates to the market’s distribution of the economic benefits of ‘place’ between the individual houseowner and the community at large; explore the connections between these matters and the issue of housing ‘unaffordability’; and examine to what degree market failure to distribute the economic benefits of ‘place’ contributes to housing ‘unaffordability’.

‘Affordable Housing’ is generally considered to be a sub-sector of the housing sector as a whole. This proposed project would investigate the extent to which this is a misconceived reaction to the perception of the nature of the problem, based on a superficial analysis of the dynamics of the market. The project would seek to redefine the ‘affordability’ agenda.

Barker and now Dorling et al. opened several doors in this field, but have failed to clearly map the terrain which lies outside. The project would outline the economic terrain of ‘place’ and chart effects on ‘unaffordability’. The project would seek to draw out new paths forward – beyond poverty and wealth in place in Britain.
A new model of the economy

In a pioneering initiative that seeks centre stage in every classroom in the land, Brian Hodgkinson rewrites the textbook on economics.

ECONOMICS AS a subject in schools, universities and most of the media is a 'flat-earth' science. Why? - because it ignores the profile of rent of land that thinkers like David Ricardo and Henry George so clearly explained. Indeed the subject may be compared to pre-Copernican astronomy, which employed a geocentric model to which were added successively more epicycles to account for new observations of heavenly bodies. Current economic models introduce more and more variables to explain the apparent complexity of developed economies. Yet their efforts are of little avail. Witness the failures of economic policy in relation to housing, banking, inequalities of wealth and income, and regional disparities.

What is needed is a model that reduces the complexity by introducing the one key feature at present omitted, namely rent. Two economists who have realised this - Richard G Lipsey and B Curtis Eaton - have written "phenomena that appear inexplicable when inserted into a spaceless model are explicable in a spatial model". My new book, A New Model of the Economy, does this by adapting both micro- and macro-economy theory to take account of rent in such areas as the theory of the firm - perfect and imperfect competition, oligopoly and monopoly - and the theory of income determination. The book includes a thoroughgoing analysis of the concept of rent, showing that it comprises both economic (differential) rent, derived from variations of location, natural resources, public services and population, and scarcity rent arising from the total enclosure of land. Topics such as wage rates, unemployment, housing and externalities are seen afresh in the light of this analysis.

In addition, fundamental questions are raised about the present system of money, banking and credit. The implications of the fact that banks create money by means of advancing bankers' promises, rather than merely collecting and lending existing deposits, are explored. Interest rates, for example, are found to be the result of restrictions on the money supply, since a free banking system would supply money to producers at its supply price ie bank costs of providing it. Bank advances for the purchase of land are seen as a major cause of inflation. The theory of income determination is adapted to show what would happen if banks were to acknowledge their proper function of financing productive enterprises.

The impact on the economy of the current system of taxation is the third main issue raised in the book. How this depresses both the intensive and extensive margins of production (to use Ricardo's distinction) is explained, with the conclusion that tax assessed on the rent of land would restore their productivity and allow wages to rise to their natural level. Problems that critics foresee in the collection of rent as public revenue in place of taxes on labour and capital, such as the old question of improvements to land and the new one of negative equity, are also dealt with.

A New Model of the Economy looks at these three aspects of an economy - the role of land, the function of banks, and taxation - as interrelated and all desperately in need of radical reform. Thus it concludes with clear recommendations on each score. However, the underlying theme of the book is economic freedom, in the sense of a system that allows for the fulfillment of human aspirations in the sphere of work and enterprise. Existing models of the economy take for granted monopolies of land and credit. They assume that the present inequitable distributions of wealth, income and opportunity are set in stone, and that politicians have to redress the balance by remedies like progressive income tax and state hand-outs.

This new model puts the onus squarely on economists. They need to scrap their 'flat-earth' models, and accept a radical revision that removes the implicit limitations of private property in rent, excessive charges for credit, and taxation levied on labour, capital and entrepreneurs. They may need to continue to use well- tried concepts like supply and demand, elasticity, consumption functions and so on, but the natural laws of economics, especially that of the rent of land, demand the central place in any model that truly represents how a modern economy operates.

In the hope that this book will be read both by professional economists and students and by interested laymen, it largely avoids the use of mathematical formulae. Instead it relies on relatively non-technical language and diagrams that are closely integrated with the text. Its aim is to awake all those who take economics seriously to the practical implications of the subject.

Brian Hodgkinson was Head of Economics at Dulwich College and then St James Schools in London. He was a founding editor of the British Economy Survey. His new book A New Model of the Economy is published by Shepheard-Walwyn.
Tax bads, not goods

Alanna Hartzok's six-point green action list for tax reform.

- Tax pollution: directly levy pollution charges and collect the revenue - not issue tradeable carbon permits enabling polluters to profit from their pollution.

- Levy taxes on non-renewable energy. Energy taxes can be regressive, so combine them with tax decrease on wage incomes, and launch 'buy and invest in clean and green' campaigns.

- Levy land value taxes/capture while reducing taxes on buildings, particularly in the urban areas, to encourage infill, more efficient use of public transport and infrastructure, and the direction of funds into new 'green energy' technologies, and discourage energy-wasteful sprawl and non-productive investments.

- Capture the 'unearned income' from land and natural resources for much-needed government revenue that could be directed to public investment in 'green' public infrastructure, and lower taxes on sustainable and environmentally sensitive design and production. This tax shift combination will get the signals and incentives right for the energy shift necessary to address climate change.

- Encourage more labour-intensive, organic agriculture, rather than oil-intensive giant agribusiness. Land value capture will help keep land affordable for small farm agriculture, and better reward farmers for their labour as their tax burden is decreased or eliminated. This form of agriculture also encourages healthy communities and decentralised local-based economies - decreasing the necessity for people to drive long distances to work.

- Consider Peter Barnes' Sky Trust, which 'land values' the sky and captures rent (see L&L 120). A Sky Trust is a scarcity rent recycling machine. The formula driving the machine is this: from all according to their use of the sky, to all according to their equal ownership of the sky. Those who burn more carbon pay more than those who burn less. If you drive a bigger car, you pay for a bigger carbon parking space. Yet, as equal beneficial owners, all receive an equal share of the scarcity rent. Thus, you'll come out ahead if you burn less carbon, but lose money if you don't. Money will flow from overusers of the sky to underusers. This isn't only fair; it's precisely the incentive we need in order to crank down pollution.

Alanna Hartzok is co-director of the Earth Rights Institute and leads the IU's UN representatives.
The taxman’s justification

Nic Tideman considers the four paths to ethical taxation and concludes that governments that stray from those paths are abusing their power.

**Taxation** is ethically problematical because it is coercive. Through fines, confiscation of property and prison sentences, governments enforce their insistence that taxes be paid. When, if ever, is such coercion ethical?

There are four paths through which taxation can be ethical. First, taxation at a local level can be justified as the preference of those who form a local community. Second, taxation can be a mechanism through which injustice in possession of assets is rectified. Third, taxation can be a mechanism through which people pay the costs of their choices. Fourth, taxation can be a mechanism through which societies allocate the costs of public services in approximate proportion to the benefits of those services. When taxation does not fall into one of these categories, it is simply a mechanism through which those with power impose their will on those without power, and it is not ethically justified.

A particular method of taxation can be the preference of a local community. When those who do not wish to pay a tax can easily escape it, a political majority who favour a tax can properly assert a right to provide for themselves a society that has the kind of tax system they want. The ethical acceptability of this rationale is conditional on:

a. the cost of leaving being minimal for those who wish to leave, and
b. the share of natural resources controlled by the local community being no greater than their share of population.

If either of these conditions is not met, the fact that a particular tax system represents the preference of a preponderance of those in the community does not suffice to justify it ethically.

Secondly, taxation can be the rectification of unjust distributions. There are two very different ethical traditions in which taxation is justified as the rectification of an unjust distribution. The first is the taxation of land according to the rental value that it would have if it were unimproved. The ethical rationale of this tax is that the rental value that land would have if it were unimproved is the product of nature and of the growth of the community. The person with title to the land has no ethically respectable claim to the explicit or implicit income that exclusive access to land provides. Taxation of land according to its unimproved rental value permits the value of exclusive access to land to be shared in an ethically defensible way. This ethically defensible way of sharing this value is that the component of land value that is due purely to nature should be shared globally among all persons, and the component due to the growth of the community should be used for purposes of the local community.

The second example of taxation as the rectification of unjust distributions arises in a framework that asserts that people do not have a right to the benefit of being highly innately talented. Advocates of this theory favour an income tax as a way of rectifying what they see as the injustice of an unequal distribution of innate talent. Against such a theory, it can be pointed out that since innate talent is not transferable from one person to another, a highly innately talented person, by being innately talented, does not deprive a less innately talented person of any innate talent that he or she could have. Furthermore, any effort to require those who are highly innately talented to pay for expressing their talent compromises the liberty that is valued in Western societies, for people to be able to freely cooperate with whom they choose on whatever projects they wish to cooperate, as long as they do not harm others.

Thirdly, taxation can be payment for the costs of choices. There are two types of examples of taxation as payment for the costs of choices: payments for harm of voluntary choices and payments for goods or services.

Taxation is payment for the harm of a voluntary choice when the tax represents an estimate of the cost to persons other than the
taxpayer of a legally permitted action that the taxpayer chooses. Examples of this are the London Congestion Charge and taxes on pollution. Taxation is a payment for a good or service when a government supplies a good or services in exchange for a tax payment. Taxes that are payments for choices are ethically acceptable if the tax represents a good estimate of the cost of the harm or good or service.

Finally, taxation can be levied as payment for a jointly consumed service. A tax is a payment for a jointly consumed service when the revenue from a tax is used to provide a public service, such as parks or police protection, that is inseparably consumed by the whole population. For such a tax to be ethically acceptable, the amount of tax paid by each person must be a good estimate of the value of the public service to that person. A tax that is a payment for a jointly consumed service is more ethically problematical than a voluntary exchange for two reasons. First, we generally cannot observe the value of a public service to a person, and therefore we do not know when we are levying on a person a tax that is greater than the benefit that he or she receives. Second, even if we are completely confident that the tax on each person is less than the benefit that he or she receives, a compulsory payment for a jointly consumed service is ethically problematic because it infringes on the liberty of those who are taxed. People who can choose how to spend their money have more liberty than those who are forced to pay for the things that they would have chosen.

Despite the problematic nature of such compulsory payments, we sometimes accept them. The compensation for destroyed property that a person receives after an accident is in a similar ethical category. We tolerate some accidents that could be prevented rather than requiring people to do everything that could be done to prevent accidents. Similarly, we tolerate forced exchange of public services for taxes. One of the costs of living in civilisation is the risk of the 'accident' that you will be required to exchange some of your wealth for public services that are actually not worth as much to you as the taxes you pay, though officials may believe that the public services are at least as valuable to you as the wealth that you are required to give up in taxes. The ethical acceptability of these forced exchanges is conditional on reasonable efforts being made to ensure that no person's tax exceeds his or her benefits, and on there being no restrictions on the departure of those who wish to leave.

It is possible for a public program of support for persons with economic problems - financed by taxes that are intended to be no greater than the benefits received by those who pay the taxes that support the programme - to fall into this category of ethically acceptable jointly consumed services. For this to happen, the tax that each citizen pays must be no greater than a reasonable estimate of the satisfaction that he or she receives from the existence of the program of support.

If a tax is not justified as the preference of a local community that does not appropriate for itself more than its share of natural resources and that dissenters can easily leave; and if it is not justified as an appropriate payment for a choice of the taxpayer or an appropriate share of the cost of a jointly consumed public service; then it is a convenient exaction, undertaken by those in power to serve their own purposes and lacking a suitable ethical rationale. We would do well to establish a consensus, if it does not yet exist, that convenient exactions are abuses of power by governments.

In this excerpt from *The Silver Bullet* – the first monograph in the U's economics of abundance series – author Fred Harrison considers the institutional basis of poverty and argues that on this, its 60th anniversary, the time has come to look again at the almost-sacred UN *Universal Declaration of Human Rights*.

The world is no closer to consigning poverty to history. Why is there still poverty – from whole countries of the poor South, to the back streets, slums and trailer parks of the rich West? The good intentions, the money, the rhetoric, the pity and the media histrionics are but pinpricks to a world-rampaging monster. They say there is no silver bullet. Neither Geldof or Bono, nor the United Nations, nor the vast assembled hosts of international aid and development agencies have the answer. Doesn't every citizen of the world have an equal right to the good life? With so much wealth in the world, why are so many of us so poor, when we could rid ourselves of this monster? And the fact is, there's only one way to kill poverty...
UNDER THE policies that determine the distribution of income in the capitalist economy, poverty is an institutionalised by-product of economic growth. Growth-oriented investment retards people's development if it is not combined with changes to the tax laws that determine the primary distribution of income. Understanding the nature and role of 'rent' in the market economy - the value of a country's natural and common resources - is a precondition for rebasing society on the principles of economic efficiency and of justice for everyone. The societal treatment of rent is the lynchpin of any poverty elimination agenda.

Once it is privatised, the rent of land and of nature's resources is converted from public value to private debt. Its essence remains: rent is the product of cooperative effort, institutionally separated from private incomes through the social rules of the marketplace. But it is transformed from benign social surplus, available to fund the secular arts and spiritual life (among other things), into a legal force that tears culture apart. Rent becomes a debt - a transfer payment, as economists put it - that is owed by the majority to the privileged minority. The owners of land interpose themselves between people and nature, causing the implosion of society in a thousand and one ways.

To understand the making of poverty, both in the poor countries and in the rich West, we need a theory of corruption. Evidence for the mechanism that institutionalises corruption as a social process is to be found beneath our feet. All the information we need is strewn on the pavements of our cities. The anatomy of corruption in the making may be perceived as we go about our daily business. We shall recount one example.

Our story begins in Nyevsky Prospekt, the Fifth Avenue of St. Petersburg. Here, out of the ashes of Soviet communism, emerged the entrepreneurs ready to use what space they could find. The people could not wait for Russia to develop a commercial market to accommodate retailers. Kiosks sprang up on the pavements. Traders came from Azerbaijan and Tajikistan to sell to a public that was hungry for their wares. From exotic regions of the east the spirit of the free market flowed in and ended up as deals outside the Metros of Moscow and the gates of the walled city of Novgorod.

Municipal governments, including St. Petersburg, issued licenses for the kiosks, and charged a few roubles as rent. Then came the mafia. They wanted 'protection money' from the traders. It might be wondered how the entrepreneurs could afford to pay. The answer was to be found in the locations occupied by the kiosks. Traders situated closest to Metro station entrances had the highest turnover. They paid the flat fee to the municipal government, but paid much higher sums to the mafia. Kiosks further along the highway, where the pedestrian footfall was lower, paid smaller sums for 'protection'. Nobody taught the mafia and the kiosk traders about David Ricardo's theory of rent. But this was the marketplace: the better the location, the higher the rent that the tradesmen were willing to pay. They could pay, and they did pay. The problem was that the money went to the bullies waiting to grab it.

The lesson is this: if government does not charge the full market rent for the benefits derived from a public space, the difference is not vaporised: it is privatised. In this case, hoodlums realised that there was spare cash on the pavements of Nyevsky Prospekt waiting to be picked up and pocketed. As for the traders, they settled for the easy life: it was all the same to them who collected the rents as long as they were free to transact their business and retain their wages and the profits from the sale of their stock.

The same reality exists on the pavements of India's cities. Migrants from the countryside stake out a few square metres and erect flimsy shacks which they call home. They choose locations close to where they can find work. Pedestrians are displaced on to the highways. The slum dwellers can and do pay the rents of
fresh thinking

deliberations. But because the rents are not
collected by the local government, the 'dadas' -
the local goons - pocket the money in return
for 'protection'.

Here, then, is the choice offered by the
market economy. Competition equalises
the returns to labour and capital. Because
wages and profits are privately earned, their
owners make sure they claim what is due to
them. But rent is public value. If the stewards
of the community's interests fail to collect
that revenue, others have no scruples about
appropriating what is not theirs. Corruption as
an institutionalised process originates with the
failure of governance.

In Africa, the losses are enormous.
Nigeria bears witness. Over 90% of Nigeria's
population live on less than $2-a-day, while
civil conflicts are fuelled by the oil rents which
government fails to collect for the public's
benefit. Corruption pervades individual deeds,
corporate strategies and government policies.
From terrorist attacks by malcontents, to bribes
paid into Swiss bank accounts and vote rigging
at elections, all can be traced back to the failure
of public policy in relation to oil rents. Will
Africa be able to separate rent privatisation from
the interests of the political elites who
now exploit the continent's natural resources?

The community of nations is in need of
a period of social renewal, so that people
can see the need for changes to property
rights and public finance policies. What will
encourage such reforms? Pessimistically, the
Asian Development Bank notes that "the most
successful redistributions" of land take place
after wars, citing South Korea and Taiwan.
"Is the redistribution of land possible in less
extreme circumstances?", it asks. "The answer
to this question may well be 'No'.

Wars, driven by the desire for territorial
agrandisement, were intrinsic to past Ages of
Enlightenment. Must we resign ourselves
to the prospect that future reforms can only
follow destructive conflicts? Or should we hope
that, by democratic debate, and by showing
that everyone gains from tax-and-tenure
reform, enlightened people will reclaim their
birthright without others first having to die?

Neo-colonised countries that wish to rede-
velop, need to take control of the agenda if they
wish to determine their fate. Westerners can
help, and a good starting point is the recogni-
tion that a new approach is needed to debt
cancellation. Relief from the debts that cripple
whole societies must be sought by new means.

We need to start with a deeper
understanding of the nature of this debt,
as defined by the United Nations. The UN
recommends that, in national accounts,
balance sheets should have entries for
buildings, machinery and vehicles, but should
exclude land. Why? The UN correctly defines
land as a non-produced asset. This means
that the money paid for its use is a simple
transfer of income from one person or group
to another. Rent, when privatised, does not
represent an exchange of value-for-value.

For so long as that form of debt hangs
around the budgets of nations, it must
impede evolution towards communities that
are balanced in personal health, wealth and
social welfare. The debt cancellation agenda,
therefore, should switch its emphasis from
debts owed to banks to the far larger debt - one
that otherwise exists in perpetuity - which is
paid to those who literally own the country and
claim the legal right to extract a nation's rents.

We need a new and different campaign
to consign poverty to history. To support
the goodwill of individual reformers, that
campaign should be endorsed by governments
that genuinely wish to see the redevelopment
of their postcolonial societies. The starting
point should be a move for change to the
constitutions and declarations of human
rights that inspire people; which mobilise
moral authority behind popular consensus for
change. In particular, attention now needs to
focus on the endorsement of amendments to
the UN Universal Declaration of Human Rights.

An amended Declaration would inspire
governments to reform their tax codes -
making it possible to unburden those who
work for their living, by collecting revenue
from the community's natural financial fund -
as the prelude to consigning poverty to history.

The need for inter-governmental initiatives
has been recognised by people like Gordon
Brown, Britain's Prime Minister. He now
realises that the Millennium Development
Goals are not being achieved - "it is already
clear that our pace is too slow, our direction
too uncertain, our vision at risk". He has
assembled a coalition of government leaders
and multinational corporations to convene at
a UN-sponsored conference in 2008 to address
the deepening poverty in Africa. But without
a comprehensive understanding of the causes
of poverty, such initiatives will go the way of
previous gatherings, where hand-wringing was
not followed by action proportionate to the
problem or its root causes.

The peoples of Africa and the other neo-
colonised regions do not need the kind of aid
that reduces them to dependent clients. They
can enjoy cultural and economic renewal
by funding out of their own resources their
capital-intensive needs. This transformation
would unite the world's citizenry through a
declared common stake in its natural home. A
fairer, richer, international community united
to address the global crises that now beset us
all on Earth.

In future, we need to burrow down much
more deeply into the phenomenon of poverty.
Its nature has changed: because the material
achievements of the past 30 years in some
redeveloping countries have been offset by a
steep rise in what we call pauperisation. This
condition touches everyone on both sides of
the income divide.

• In the UK the geographical maldistribution
of wealth and poverty since 1970 has been
confirmed by exhaustive examination of
official statistics. The historic trend is away
from equality. Wealthy areas (and classes
and individuals) have tended to become
disproportionately wealthier. An increasing
polarisation is driving spatially deeper
wedges between rich and poor, fragmenting
communities to the point where, in some
city locations, over half of all households are
deemed to be 'breadline poor'.

• In the USA, tens of millions of families
survive only because mothers seek
employment to cover the cost of the mortgage.
Real wages have been falling since about 1975.
This decline in material standards is reflected
in the erosion in the American citizen's
constitutional 'right' to happiness.

According to one estimate, between 1979
and 2004 the pre-tax incomes of the top 1% of
Americans had increased by $664bn ($600,000
per family), an increase of 43%. The lower 80% of
families were worse off by $7,000 in income per
family (a 14% loss) - with the trend continuing to widen the gap.

We can see that the capitalist model does not provide for sustainable growth; nor does it deliver equity between individuals or classes. But the problem that we wish to highlight is this: the material deprivation index fails to capture the full horror that follows the separation of some indigenous peoples from their natural environment.

Pauperisation can be observed in the way that some indigenous peoples find themselves marooned on modern versions of reservations. Their culture began to implode the moment they were separated from ancient land rights. Their lives ruptured from traditional cultural forms of activity, they seek solace in drugs, alcohol and other self-destructive behaviour. The material welfare made available by government fails to address the process of pauperisation. Poverty slides into the pauperisation of personality and community.

According to the UN, we would all benefit from a general mobilisation in favour of ‘human security’, by responding to the threat of global poverty travelling across international borders in the form of drugs, aids, climate change, illegal migration and terrorism.

But the UN’s notion of human security fails to address the process of pauperisation. Furthermore, even the need for security cannot be achieved if we do not restore the role of land in our lives.

Pauperisation encompasses material, psychic and spiritual forms of deprivation. A country’s per capita income can rise - suggesting it is reducing poverty - while at the same time the population’s welfare may deteriorate. Growth in national income can be associated with a desperate deterioration in quality of life.

The concept of potential is crucial to a consideration of what we mean by pauperisation. It is the measure of achievements unrealised. It reminds us of how we could all enjoy peace and the economics of abundance.

But abundance does not allude to material satiation. It refers to that contentment which comes with the state of liberty - of not being subjected to arbitrary restraints imposed by others, and of being equipped to challenge oneself to achieve personal goals.

The UN’s notion of human security is underpinned by a doctrine of ‘human rights’ that pauperises people in the rich as well as in the poor regions of the world. In England and Wales, for example, one in three children still live in poverty. This is relative poverty: it is impossible to compare the poor children of England to the poor children of Malawi. But this poverty contributes to the collective sense of a pervasive social malaise which is now spawning acts of desperation. These include the self-destructive acts of suicide bombers who are reared in families that do not lack material resources, but who experience a profound sense of deprivation and alienation.

We do not claim that fiscal reform will be the instant answer to religious fanatics or corporate bullies. We do claim that our agenda provides the framework for a new sense of justice in our relationships both with each other and with Earth. This fiscal agenda assumes critical importance when we realise that narrowly defined poverty, by itself, cannot explain the global crises that are converging in the 21st century. The billion who suffer $1-a-day material deprivation constitute but one of four interrelated global challenges. The other three are:

• Terrorism. No corner on earth is free of this brand of violence, which is used as a tool of politics by other means. Is force really the optimum way to address the causes that inspire what President George W Bush called “the axis of evil”?• The eco-crisis. All nations agree that nature is, now, about to wreak revenge on humanity. We will all be affected by climatic shifts. Should we allow the polluters to set the terms for reducing that damage?

• International trade. When two billion people from the ex-socialist East arrived in the market economy, the demand for protectionism was resurrected in the West. That demand will be heightened as the global economy dives into a recession. Should trade be framed to suit the corporate rent-seekers?

The correct reforms will not be adopted without a full understanding of the facts by people with open minds. The price of failure is beyond our present comprehension.
The Greenspan years: more questions than answers

Ed Dodson is unsure of Alan Greenspan's legacy. Opening a two-part article on how the US economy has got to where it is today, he takes us from the establishment of the Federal Reserve, up to 1989.
backed securities. The banks benefited similarly, forcing losses to be amortised over the life of the securities. This dramatically eased the financial pain and stabilised their financial situation just as the housing market rebounded.

Securitisation also meant that commercial and savings banks could – for a guarantee fee – get Fannie Mae or Freddie Mac to pool their mortgage loans and issue additional mortgage-backed securities. The banks benefited similarly from the ability to amortise losses.

The return to low interest rates also stimulated a prolonged period of mortgage loan refinancings, reducing the annual costs of credit for millions of US households and generating desperately-needed revenue for the banks in the form of loan origination and mortgage servicing fees. At the same time, borrowing secured by second or even third mortgage liens on property skyrocketed after passage of the Tax Reform Act of 1986, which eliminated the deductibility of most non-mortgage interest payments. The banks now began to aggressively market new home equity loans and equity lines of credit. Many US households measured their ability to carry higher and higher levels of debt based on the amount of disposable income they enjoyed after paying their bills each month. For the majority of households in the nation, saving was either not possible or put off into the future. Whether there were one or two adults employed full-time, this meant that any prolonged interruption in household income resulted in credit problems, possible foreclosure on their residential property, and bankruptcy.

Into this financial world Alan Greenspan arrived to take over as Chairman of the Board of Governors of the Federal Reserve. Greenspan was immediately faced with the late-1987 stock market crash. The most-astute investors knew the market was overheated and moved their reserves into land and real estate speculation. Land prices rose accordingly – to levels that made profitable development difficult in many parts of the nation. Newly-constructed condominium units, particularly, started to remain unsold even as asking prices were slashed. Developers defaulted on construction loans, and when the banks foreclosed they were forced to dispose of these properties at prices far below the original cost of the land and construction of the buildings. By late 1989 conditions were set for another broad collapse of land markets and the subsequent failure of hundreds of banks facing heavy loan losses. L&L

Edward J. Dodson is Director of the US-based School of Cooperative Individualism and author of Discovery of First Principles. Picking up in 1989 and taking us to the present day, this article will be concluded in the next issue of L&L.
Free lunch – calling last orders

In this third and concluding part of his series on privilege, Ole Lefmann considers the means and consequences of eliminating the bad effects of privilege.

The story so far...

All sorts of privileges are allowed in Western societies. They can be categorised broadly as privileges granted because of the need for regulation of certain activities, so-called privileges that in fact are rewards for service and should be honoured by wages, and ‘intellectual property rights’. Privileges can have real value, which people are willing to pay for. Those values are an element of what economists call economic rent (L&L spring 2007). Privileges can have good and bad effects. The bad effects of privilege must be eliminated. One of the important good effects of privilege is the protection of trade freed from monopolies and the bad effects of privilege (L&L Autumn 2007).

Nature provides human beings with the necessities of life and all the raw material for the production of goods or the provision of services to meet human demands; all is provided to us, in the raw, as a free gift. But access to that gift is not free. Powerful holders of exclusive rights, or holders protected by power, claim their price for letting access. Those who pay the most to those privilege holders are allowed to use the gifts of nature.

Other privilege holders – producers whom power grants exclusive rights to do what is prohibited for people in general – claim extra profits from prices higher than those they could have claimed for their products or services had they not held their privileges.

In both cases, every day, privilege holders collect a ‘free lunch’. The widespread notion that ‘there’s no such thing as a free lunch’ is a misapprehension. The rules in force in society today ensure that free lunches are indeed served up, but reserved for privilege holders only. Such an outcome can have extremely bad effects on the lives of other citizens, not to say on society as a whole: but we need not tolerate these bad effects: they can be eliminated in one or in a combination of the following ways.

The most radical approach to eliminating the bad effects of a privilege is the simple abolition of the privilege itself. This approach is, in principle, in fact the preferred course: it should be the favoured conclusion following an appropriate examination and assessment. However, although some privileges that attract a value may have bad effects that we want to eliminate, a number of privileges may also have good effects that, in fact, we want to take advantage of.

So then our problem becomes – how might society rid itself of the bad effects of certain privileges that also have effects which we consider good and which we want to take advantage of? For that purpose there are two possibilities available.

We can ‘socialise’ certain privileges – that is to say nationalise them: render them public functions. The idea of socialisation may be unattractive to some – for instance those who consider public administration slow, ineffective, rigid, or corrupt. But such problems also occur in the private sector. The risk of inefficiency, rigidity, and corruption is latent in all big administrations; and it is true that it is seriously increased in organisations that work without competition or with restricted competition, such as public organisations and others whose operation is based on monopolies or privileges.

The excess profits of monopolies and privileges go to the owners of those monopolies and privileges. In the case of public ownership the excess profit goes into the public coffers, and this reduces the need for taxes. In the case of private ownership the excess profit goes to the private owner. With the rules in force today these may have bad effects on private as well as national economies, and on the wider life of society. (These bad effects, as well as the good, were discussed in detail in the second part of this series in L&L 1129).

These bad effects of privilege are the scourge of today’s society. But they can be eliminated quite simply, by the changing of a few rules. When these changes are made it will be found to be good advice to accept many of the private privileges that have good effects. The particular provisions which are required to eliminate the bad effects of privilege are:

- the public collection of the rental values of all tolerated private privileges. The rental values of privileges means the annual excess profits derived from non-landed privileges, or the amounts users are willing to pay to privilege holders for the rights to access the advantages of nature and society – that is, the rental values of landed privileges. The bad effects of those rental values of privilege, which presently become concentrated among the few, will end when those rental values – created by the public – are paid to the public purse,

and

- the application of the revenue raised for the benefit of all citizens equally.

The public annual collection of the rental values of privileges is the most important step to take; but it is not enough to abolish the bad effects of the rental values of privileges and allow the good effects to flourish: the revenue has to benefit all citizens as equally as possible. And for that purpose we may look at two different ways of using it:

- by financing public undertakings that will benefit all citizens,

or

- by financing the distribution of equal shares to all citizens.

Looking at these two ways from an ideological point of view, the first one may be called the socialist way. It presupposes the government’s ability to decide which of the citizens’ demands shall be fulfilled before other demands, and when, where, how and by whom it shall be fulfilled. The second of the two ways allows individual citizens to decide for themselves which of their wishes shall be fulfilled before other demands, and when, where, how and by whom it shall be fulfilled. This might be called the libertarian way. Each way will have its supporters in today’s society.

The first way will certainly appeal to politicians and civic servants clambering for the limited resources available for the financing of public services and infrastructure. Their concerns are to achieve the proper funding of current projects presently under-financed, and the funding of new projects that
cannot presently be realised because of lack of finance. It seems that today, in the first decade of the 21st century, ‘financing new public projects by land value taxation’, for instance, is likely to be a more successful argument for the implementation of the policy than the idea of ‘replacing other taxes by land value taxation’, which attracted so much attention at the beginning of the 20th century.

‘The second way of ensuring revenue benefits all citizens as equally as possible might have less partisan appeal. During recent decades this alternative policy proposal has attracted growing interest. It coincides with the still-more widespread idea of a ‘citizen’s dividend’ - encouraged by the growing sense within and between societies should appreciate that all human beings have equal rights to nature and to the values of it.

To eliminate the bad effects of privilege, where might support for these policy proposals come from? Different groups which urge the establishment of a ‘Citizen’s Dividend’ have differing ideas about to whom and how much should be paid out, and about the important question of which source(s) might finance the project. However the following formulation might have broad appeal: ‘equal dividends to all citizens funded by the ‘free lunches’ provided by nature and society, collected and distributed by the public.

Further support for this might be gathered when considered as a green policy initiative. A green perspective should fit comfortably around the equal distribution of the rental values of privilege. The public revenue slogan ‘pay for what you take – not for what you make’ fits well with a green sensibility. In addition, those concerned with the resolution of conflict within and between societies should appreciate that an equal distribution of common wealth will support a more friendly and more harmonious society. Tax reformers – of the left and right – may prefer public collection of the values of visible land and registered privileges instead of the traditional assessment and taxation of private values (such as moveable assets or earned income) that can easily be hidden from or taken beyond the grasp of the taxman.

So we see that the public collection of the value of nature and society, and the use of the revenue for the betterment of all citizens on an equal footing, has supporters in groups and individuals of very different outlooks and points of view. This broad grouping of supporters might provide a perfect base for cooperation. But it also raises a problem that cannot be ignored. If the use of the revenue, in broad terms, is not agreed by all campaigners, it may cause problems.

It may be astute, in order to secure greatest public support for change, to consider as a point of strategy that all revenue raised by the proposal should be hypothecated – earmarked – into two divisions, in which one half shall finance public undertakings, and the other finance the distribution of an equal Citizen’ s Dividend paid to all citizens.

Public information and education would be essential. It would be up to campaigners to inform the citizens of the advantages of the proposal. People in general are unaware of the causes that provide them with good economic conditions.

Proponents of the reform and campaigners will have to inform the general public about the ongoing implementation of the change: namely, that public expenses will increasingly be financed by the values of nature and society, and that the Citizen’s Dividend will increase year by year as the market value of privileges rise. It is important that citizens come to understand and keep in mind that they will receive their Citizen’s Dividend not as a social security payment but as a citizen’s universal and equal right to a share of the value of nature and society.

We should ask how much revenue might be collectable from the free lunches provided by nature and society? Privileges ‘eat’ from each other. As one privilege is able to take to itself more value, the others can get less; with one exception. Landowners are not able to take anything from other privilege holders: they can scoff of the free lunches only what is left at the table by those others. Both taxes and privilege profits are legal claims – supported by government power. They reduce the spending power that people could and would otherwise use to pay to access their preferred locations – whether to landlords or as a purchase price for their homes and workplaces.

In today’s developed societies taxes have increased to a very high portion of the economy. Privileges have increased in number as well as in their economic capacity. The size of the rent of land (the free lunches provided by nature and society) left for the landowners to pick up therefore constitutes a smaller percentage of the gross national product than in the days of the classical economists. The classical economists explained that the results of production would be shared between labourers, investors and landowners only.

Today, landowners have to accept that rent of land is reduced to what remains when other powerful privilege-holders have captured taxes and excess profits from the market.

Conversely, this relation between the ‘rent of land’ and the proceeds taken by others, also means that the rent of land will increase when privilege-increased prices are eliminated. The increased rent of land means a higher revenue from land value taxation, and more funding for financing public undertakings and the universal Citizen’s Dividend. That will reduce the need for social security benefit, which also will reduce the demand for taxes.

Reduced taxes – except land value taxation – will increase the citizens’ private spending power, propelling the virtuous cycle onward; all without increasing inflation. The amount of expected revenue from the public collection of the rental value of privileges would prove sufficient. It would be enough to pay for both new generally-needed public undertakings (which aggregate more rental values than spent on investments) and a Citizen’s Dividend; and, further, the scheme would be capable of replacing those ‘old taxes’ and aggregate in quantum at least the same rental values as the reduced taxes.

So, the size of the ‘free lunches’ from nature and society is sufficient for society’s needs. The public collection of the value of those free lunches is self-funding: and therefore inexhaustible so long as revenue is distributed equally to all citizens – or in other ways used to benefit all citizens on an equal footing. L&L

Ole Lefmann was Deputy President of the Union’s Honorary Assistant Secretary.

(On the following pages, LL Blake takes up the question of privilege from a different perspective.)
Privilege, aristocracy, monarchy

LL Blake reflects on the traditional constitutional role of privilege in Britain.

EDMUND BURKE, in the 18th century, wrote and spoke copiously about tradition in this country. On the subject of the constitution, he wrote: "...it is a constitution made by what is ten thousand times better than choice, it is made by the peculiar circumstances, occasions, tempers, dispositions, and moral, civil, and social habits of the people, which disclose themselves only in a long space of time". He was not fond of instant "improvements". He said also: "To innovate is not to reform".

Burke would have been saddened by the assertion recently by a Director of Public Prosecutions that we should not be ruled by what happened in the thirteenth century. She spoke in connection with modernising our criminal procedures. In fact the 13th century was the time of Magna Carta and the emergence of Parliament in a form recognisable by us; even more it was the century in which the lawyer Bracton gave us the principle which judges invoke almost daily in the High Court, bringing all officials under discipline, "the king must be under no man, but God and the law, for the law makes the king" (and all his officers).

Magna Carta was relied on recently by a judge who found that the court system had delayed access to justice for a young woman who was pregnant and had nowhere to sleep save for her car. The judge applied chapter 40 of the Great Charter which states: "To no one will we sell, to no one will we refuse or delay right or justice". In the light of this judgment we may wonder indeed whether the proposal to delay charging a suspected terrorist for a period not exceeding 42 days is legally sound!

We think we know all there is to know about privilege and abhor it. Why should some people have it and not others? But what about parliamentary privilege which protects freedom of speech in Parliament? Members of the Commons and Lords can speak freely in the Houses of Parliament without fear of legal action on grounds of slander. Privilege does have its good side. It is privilege which guards communication between lawyer and client.

Aristocracy is another word that currently has a bad press. We have driven out the hereditary peers from the House of Lords, save for 92 of them. But aristocracy really signifies government of the best, according to its etymology. What more could we hope for?

Thomas Jefferson, in the early years of the American republic, said that government should be exercised by a 'natural aristocracy'. No doubt this accounted for the requirement in the constitution of the United States that voters vote not for a person to act as President, but a college of electors who would determine collectively who was the best citizen for the post.

That was the intention, although now the college usuallynamely follows the popular vote, and elects the man or woman who gained the most votes.

In Britain we had a natural aristocracy, based on families that had demonstrated long and faithful service to the state: families such as the Cecils, who led through the House of Lords. This was natural, because family is the natural basis of the community. However, modern experience has shown that in a number of hereditary peerages the element of service to the country has been put aside for personal gain, such, for instance, as the opposition to justice in regard to the taxation of land values in 1909-10. Accordingly, it was popularly possible to decree the abolition of the hereditary peerage in the House of Lords (save for the time being of the 92) by the Blair administration. In the circumstances, probably the continued presence of those members would be about right for the 'mix' of the House of Lords which has such a firm reputation of wisdom and sound common-sense in regulating legislation and debating great issues of the nation.

Monarchy in its modern sense of 'constitutional monarchy' has undoubtedly wide popular support, at least as conducted by the present Queen. Ripples of dismay have, however, disturbed the peace ('The Queen's Peace' as it was known) in such matters as the death of Princess Diana. And frequent protests have been heard about the nature and extent of the Queen's function. What exactly does she do that merits all the splendour and the money?

First let it be said that in foregoing the income from royal estates (which goes to the Treasury) in exchange for a Civil List of moderate proportions, the Queen's services come at a very fair price. The financial cost to the United States taxpayer of a presidency is astronomically in comparison.

Secondly the monarchy brings with it immense dignity and majesty to the government of Britain. It gives light and distinction to the institutions which rule our daily lives. Her Majesty was once asked what she thought her role was; she answered "My function is one of being, not doing". That is exactly so: to have someone at the centre of government who has constant regard to and supervision of the workings of the constitution is a supreme gift. She does not let her gaze fall, she is constantly in touch with the affairs of the state, and she, no doubt, asks the right questions of her prime ministers. When one compares this with the incessant political chatter and hasty decision-making of an American presidency one sees the great virtue of stillness and constant and unbroken vigilance at the heart of the nation. Such stillness ensures our freedom.

Professor Anthony King, in his seminal work on The British Constitution, describes the traditional constitution, in part, as follows: "The British system actually delivered the great virtue of stillness and constant and unbroken vigilance at the heart of the nation. Such stillness ensures our freedom."
cities of Glasgow, Liverpool, Manchester and Birmingham, the City of London, cheap food, law and order, a navy that commanded the world's oceans, an empire on which the sun never set, victory in the Napoleonic wars and then in two world wars, water that was safe to drink, the world's first railways, half-way decent roads, old-age pensions, unemployment insurance and better housing and the National Health Service, among many other things...

This traditional constitution may be amended, but substantially it should be maintained, as Peter Oborne says in his excellent book, The Triumph of the Political Class: "This is why the presence of our great institutions – judiciary, Parliament, civil service, a free press and (in the private sphere) the family – have such profound importance. They offer protection against the populism that is such a potent feature of the democratic system. They stand for values – fairness, decency, protection of minorities, freedom under law – which inevitably come under strain in a democracy". The theme of his book is countering the onset of tyranny of the political class, given the strains which democracy brings with it.

Tradition thus has a leading role to play in civic affairs. We should all work to maintain it in the face of increasing populism, the herald of tyranny, which Plato says is the probable outcome of democracy. Our precious heritage of freedom – our gift to the civilised world – depends on tradition, particularly in the form of the rule of law. Despite bad press, privilege, aristocracy and monarchy have enduring roles in the constitution of modern Britain.

Mr Taylor went to his club on nights when Mr Mill came round. Mill married Harriet in 1842; she died in Avignon in 1848. Mill dedicated the rest of his life to overpraising her memory, holding her jointly responsible for his great works On Liberty (1859) and The Subjection of Women (1869). He exaggerated as regards Liberty, but she had certainly helped to radicalise Mill, making him more socialist as well as more feminist.

Like any other radical political economist, Mill believed in land reform. He did not need any push from Harriet; he simply followed directly in the footsteps of Adam Smith and David Ricardo, for whom he had worked in his infant prodigy years. They all shared a very simple view: income from landownership was uneconomic; it rose and fell for reasons that were irrelevant to the landowner's effort ("falls into their mouths as they sleep", said Mill). Therefore it was appropriate to tax it more heavily than other income. Mill rejected land nationalisation, but only on pragmatic grounds ("I think it will be a generation or two before the progress of public intelligence and morality will permit so great a concern to be entrusted to the public authorities"). How far have public intelligence and morality progressed since 1872? Would you entrust land ownership to the public authorities? These remain open questions. In words that might delight Ken Livingstone and either delight or alarm Boris Johnson, Mill concluded: "If the Grosvenor, Portman and Portland estates belonged to the municipality of London, the gigantic income of those estates would probably suffice for the whole expense of the local government of the capital."

Iain McLean

Rebirth


This booklet gives an interesting insight into the growth or decay of American cities over the last hundred years. When, in the 1920s, New York City exempted residential buildings from the property tax while maintaining the tax on land values there was a surge in building and population, creating a city attractive to people and business.

Vancouver under a 'single tax' mayor went further than any US city in exempting buildings, and grew much faster: it quintupled in population after exempting half and then in 1910-1918 all buildings from the above-the-site property tax. It remains one of the most beautiful and livable cities in North America.

Historically, the depression of the 1930s; the fact that the single taxers died or retired, that there seemed to be few heirs to Henry George's ideas; and in many cities selfish vested interests put economic justice aside, had a negative impact on reform.

Perhaps the work going on today will reverse this and restore land value taxation to its rightful place in the canons of taxation.

Geoffrey Lee

'Orange' Peel


Sir Robert Peel, Prime Minister from 1834-5 and 1841-6, cleared hundreds of archaic criminal laws from the statute book. He created the modern police force whose constables 180 years later are still known as Bobbies. As a freetrader he repealed the Corn Laws, splitting the Conservative Party.

Curiously, although he was never Chancellor, Peel did largely draft two major Budgets. Inheriting a large deficit from the Whigs, he consulted Gladstone who suggested reviving the house tax. But Peel realised he would never get this through. Deviously circulating Gladstone's paper to other ministers – so that what he did propose, the reintroduction of income tax, would seem attractive by comparison – Peel got his way in the 1842 Budget, with the real Chancellor sitting meekly beside him.

If the climate had been right this would have been the ideal moment to introduce land value taxation, but as an immensely rich landowner, lvt was not something he ever contemplated.

Gladstone, however, Peel's disciple, retained an interest in the land question and read Henry George's Progress & Poverty, and eventually introduced a form of lvt into the Liberal Party's programme, where under the LibDems it continues to this day.

Geoffrey Lee
Reviews

Fire!
The Silver Bullet
by Fred Harrison
theL, 2008, 22opp, p/b
ISBN: 978-0-904658-10-1, £10

Many countries suffered from the advice of celebrated 'end of poverty' economist Jeffrey Sachs. Illustrating how the Washington Consensus perpetuates and aggravates the world's social and economic problems, Fred Harrison highlights the case for policies such as land value taxation. By switching our attention from the role of Ivt in the countries of Europe and North America, to many countries in Latin America, Asia and Africa, he drives home the potential worldwide importance of the policy.

Harrison emphasises that "competition delivers optimum efficiency only if the distribution of income also conforms to the principle of justice... In the capitalist economy, most social and economic problems stem from the fact that the pricing mechanism is legally and institutionally constrained from functioning either efficiently or fairly. Specifically, the problem is located in the system of public prices - government's taxes - which are a covert way of redistributing income from the poor to the rich". I needn't spell out here Harrison's explanation of how that works, but it is clear and it is important to understand it. Harrison's case studies all throw up points of interest.

For example, after overthrowing the last imperial dynasty in China in 1911, Sun Yat Sen - in his Three Principles of the People, combining economic understanding from the West with the ancient wisdom of China - followed the teaching that land values shall revert to the community, or: when Chiang Kai-shek led the Kuomintang to Formosa after their defeat by Mao's Communists in 1949, Sun Yat Sen's Three Principles helped to launch Taiwan's development as a modern economy. But Harrison hopes the way may still be open for China to evolve a form of what he calls 'social capitalism', based on the Three Principles.

Social capitalism, he emphasises, would not be "a hybrid (a pastiche of existing political doctrines), but a unique philosophy of social organisation designed to liberate the individual and protect the common good". It would be based on "the socialisation of rent and the privatisation of wages and profit". President Chavez of Venezuela, for example, should have realised that "the socialist paradigm is of little use to the people. It was well tested and abandoned in the 20th century. So why wave the socialist flag under the beak of the American eagle?...If Chavez had announced not land reform but tax reform, Washington would have found it more difficult to justify its plots against [him]."

That insight into presentation prompts me to end with three suggestions for getting intelligent, active people to give serious attention to the book's case.

First, we should use today's language. Busy, fully engaged people don't have the time and energy to figure out how the meaning of 'rent' in classical economics differed from what it means in everyday life today.

Second, beware the 'silver bullet' concept. Don't fall into the 'single tax' trap. People think they know very well that there is no single solution to poverty. Not only taxation, but other elements too have a bearing on poverty. Public spending, instead of redistributing a share of the value of common resources as a citizen's income, now subsidises profit-making private sector corporations (including financial ones) to provide public

A quick note...


Prem Sikka, Mike Danson and others go in search of "a radical left agenda...grounded in a practical politics" and a "global vision challenging the free market fundamentalism of our time."

Bring on the Apocalypse: Six Arguments for Global Justice by George Monbiot. p/b £11.99

Five stars, for anyone who has not read Monbiot's articles in the Guardian or on his website. Vivid, radical and wide ranging.

R Dunn, Amazon


For an easy introduction to Smith and his ideas (and this is a very quick, undemanding read) this is not a bad point to start, so long as you take O'Rourke's interpretation with a very large pinch of salt.

Humphrey Plugg, Amazon

Economics of Poverty, Environment and Natural Resource Use by Rob B Dellink and Arjan Ruijs (eds). p/b £38.50

An academic book searching for explanations for the "resource-poverty nexus" and asking "to what extent [can] payments for environmental services...be an effective tool for stimulating sustainable resource use and poverty alleviation?"
infrastructure and services to dependent citizens. Creating the national money supply in the form of profit-making loans to bank customers, encourages its investment in rising land values, not productive employment.

Those, like the present tax system, are poverty-creating institutions that need reform.

Third, global warming and green taxation are now central concerns, as we face the 21st century threat of combined worldwide systems collapse – ecological, economic and social. We need to explain why land and tax reform is relevant to them. The answer is that people should pay for the value they take from using or preventing others from using scarce common resources. Among these are land sites as well as the environment's capacity to absorb carbon emissions and provide many other kinds of support.

James Robertson

**On liberty**

**John Stuart Mill**

**Victorian Firebrand**

by Richard Reeves


Many readers will know one poem about Mill, which is quoted in this book.

*John Stuart Mill, of his own free will*/ On half a pint of shandy was particularly ill.

A few may know another, which is not.

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**The Evolution of Resource Property Rights** by Anthony Scott. h/c £65

Traces the development of property rights over different kinds of natural resource from classical times through to the 19th century, and makes a special plea for the multiple-purpose and multi-owner management of resource rights.


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If people won't give us their hearts and minds (quite literally) we'll jolly well have to take them ourselves. This seems to be the logic behind the human spare parts appropriation programmes that an increasing number of Western governments are initiating. The debate raged in the Danish press in the autumn and has since appeared in the UK and America: should the government be able to nationalise organs from corpses? In Spain and other countries they don't debate – they act. If you have a kidney, they'll come and get it. Just like that.

It's not that it doesn't make a twisted sort of sense – rather like how, when governments decide they need money for public services, they raise it simply by grabbing the funds. It's the same simple reasoning used by Faith, the mean-girl character in *Buffy the Vampire Slayer*, once she fully fathoms her super strength and what it puts her in a position to do: "want, take, have".

This brand of government-sponsored grave robbery, in other words, is indicative of the way the basic concept of property rights is being – whether by intent or by folly – misrepresented and perverted and misrepresented and perverted again because of its continued removal further and further from how things ought to be. This is true not only in economics where (crikey are they ever) concepts are royally screwed up, but also in the realm of people. Like when forced labour is the accepted norm as long as you're forced to work for the military. Or when the state gets to lock you up on bread and water for keeping what's rightfully (if not legally) yours, instead of donating it to the taxman? Or when it's alright for the state to chop up the recently deceased, contrary to their own wishes and those of their bereaved families. What's next? – An impost on keeping your child alive in a respirator because the longer she lives, the longer you are preventing the excavation of her organs as a "societal resource"? Utter brutal madness.

Forty-eight years ago Marilyn Monroe sang "My heart belongs to daddy". Miss Monroe's intentions may not have been as literal as her catchphrase. But the way things are going, we're approaching a situation where we might all burst into a song of our own: "My heart belongs to Big Brother." Boo-boo-be-do, indeed.

The very real need for organ donation, of course, cannot and should not be denied. One might consider it an imperative to help out our fellow man when in dire need of something that we ourselves aren't quite capable (being dead and all) of utilising to its full potential. "I leave my body to science" used to be an eccentric thing to put in your will, but it rather does make sense.

For all I care you can do with my soulless body what you will when I'm done with it, be it human repairs or fish bait. However I've long signed up as an organ donor, because – it seems to me – there's no good reason why my or anyone else's remains should not go to further use.

But, please, have the decency to ask first.
LAST MONTH’S UK Budget, the first from Chancellor of the Exchequer Alistair Darling, contains within it one particularly significant policy announcement. The proposal will help secure carbon trading as a key feature of the future global fiscal landscape. This should both help save the planet and provide further demonstration of the new model of public finance.

There is still no agreement on the appropriate policy response to climate change. Joseph Stiglitz said recently: “Better incentives must be part of the solution. But there is a raging controversy over whether the Kyoto protocol’s cap-and-trade system or taxes work better.” The UK move tips the argument in favour of trading.

Trading schemes mostly suffer from two serious shortcomings. First is the allocation of grandfather rights – ie permits are issued to polluters on the basis of historic emissions, effectively rewarding the worst offenders. Secondly, the allocation of the permits themselves is on a free basis – ie the permits are given away by government – which opponents say is tantamount to giving away money. Large corporations who tidy up their act can trade no-longer-needed permits, and profit handsomely in doing so.

The 2008 budget has recognised that second shortcoming, and it puts forward a solution: public auctioning. The proceeds go to the public purse. Darling announced that the government had decided on “auctioning 100 per cent of allowances for large electricity producers in Phase III of the EU Emissions Trading Scheme”. While not a universal scheme for auctioning carbon permits, the decision is seen as an important market signal of the government’s intention.

Dr James Wilde of the UK Carbon Trust said: “We strongly welcome the decision. More auctioning will be important as the current national allocation plans only propose a small amount of auctioning, but governments retain the right to decide to auction more. Auction revenues can help us to move to a low carbon economy. The government should now work alongside industry to determine the role that auctioning should play in other sectors within the context of maintaining and enhancing the sectors’ competitiveness.”

It seems unlikely that the Chancellor’s budget will make much difference in the coming global economic storm. But as a long-distance beacon for the future direction of fiscal policy, his decision on auctioning carbon permits will shine straight through the hard times ahead.

Meanwhile the leader of the Green Party of Ontario, Frank de Jong, reports: “British Columbia has become the first North American jurisdiction to implement a full-fledged carbon tax. It will apply a $10-per-tonne charge of emitting carbon (rising to $30-per-tonne), the revenue used to reduce income taxes.” De Jong hopes it’s just the beginning for his continent.
Zimbabwe's national anthem may be about to come true. Morgan Tsvangirai's Movement for Democratic Change has just unveiled its new blueprint land policy. The radical plan aims to rid the country of landed injustice—"resolving the land question once and for all, to ensure that no Zimbabwean will ever go hungry again". Robert Mugabe and Zanu-PF's violent and corrupt Land Reform and Resettlement Programme has long been condemned internationally. MDC's vision is of "a New Zimbabwe where the land conflict is resolved and land as a finite economic development resource is equitably distributed and productively utilised". A Land Commission would be set up with a six-fold mandate to establish: an "independent audit of the land"; a participatory resettlement programme; rules about maximum holdings; law to guarantee household holdings; a managed transition to "a people-driven and human-centred land market"; and "an equitable land tax". Reformers have been quietly briefing Zimbabwean leaders for two decades. An international delegation of advisers to guide key policy awaits Tsvangirai's ascendancy. (see inside)

goodbye injustice

Blessed be the Land of Zimbabwe
ZIMBABWE'S MDC has embraced land value taxation. After 28 years of increasing chaos, the country's future may be brighter than any could have hoped.

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news in brief ...

Carbon 1—United States
Leading a growing US awakening to the issue of global warming, Nobel laureate and former Vice President Al Gore now says "tax what we burn not what we earn"—proposing a sharp reduction in payroll tax combined with increases in carbon tax.

"No," says Earthrights Institute director Alanna Hartzok, "he doesn't yet grasp the importance of surface land taxation—but Gore's definitely headed in the right direction." Go to www.wecansolveit.org

Carbon 2—Auctions
Auctions for Phase II of the Emissions Trading Scheme have opened. The Scheme aims "to reduce emissions of carbon dioxide at least cost to industry". Working on a 'cap and trade' basis the Scheme assists member countries meet their Kyoto targets. Phase I was widely argued to be over-allocated, and many believe little or no additional emission reductions will have been achieved overall. Phase II includes controversial new pollution-swapping mechanisms. Aviation emissions are expected to be included from 2010.

Good times still
World recession is not biting evenly. While European and US property markets are feeling shocks, other areas experience different conditions. Dubai Land Department reports a market maintaining an upward trajectory, with transactions in August peaking at Dh431m (£58.7m). The Indian state of Andhra Pradesh is likely to increase valuations of rural land 8-10%, as a reaction to the stability of the housing market and continually improving revenue flows. Locally in other places, including Turkey and even Canada, we find similar stories.

Cuba
The 1u has been invited to send a representative to accompany a small top-level delegation to hold discussions with the new Cuban regime. 1u President Fernando Scornik Gerstein will be in the company of a UNICEF International Ambassador and other delegates. A film crew will be accompanying the delegation. Topics specifically posted for discussion include land and taxation policy. It is expected that the delegation will be advancing the rent for revenue policy option.
Morgan Tsvangirai and Zimbabwe’s Movement for Democratic Change have seen three big bear traps lying ahead of them in government.

The first trap is what on earth to do with the Zanu-PF-sponsored incumbents of Zimbabwe’s once-rich farms: the question centres on issues of justice and restitution. Solutions must avoid the twin charges of being the political revenge of the victor, or of being appropriation. Neither would play out well on either the domestic or international stage.

The second trap is how on earth to kick-start the Zimbabwean economy and re-establish the country’s rich agricultural surplus. The country’s economic and food crisis has been described by observers as its worst humanitarian crisis since independence. The crisis has been variously blamed—principally and rightly on the government’s economic and political mismanagement; but also on sanctions and prohibitions on foreign relief efforts; the drought affecting the entire region; and the HIV/AIDS epidemic.

Agriculture used to provide the export-led basis of Zimbabwe’s healthy balance of payments. But maize and soya production have halved through the last decade. While cotton and tobacco are still exported—with neighbouring South Africa the country’s main trading partner—Zimbabwe has also become increasingly reliant on the hunger of a burgeoning China (Zimbabwe’s human rights broker-pariah) for its mineral resources—chromium, platinum, gold, copper and nickel.

The third trap is how on earth to secure for the public purse the necessary resources to put right the social, cultural, political and economic damage which increasingly accrued to the public realm under 28 years of Robert Mugabe’s rule. The question is how to pay for the establishment and provision of long-gone public services (the IMF’s 1991 Structural Adjustment Programme also is strongly implicated here) and how to haul Zimbabwe’s public infrastructure—education, transport, healthcare, social provision, law and order—into the twenty-first century. Particularly and symbolically, as well as most certainly from a humanitarian point of view, how to raise life expectancy which the World Health Organization has condemned as the lowest in the world?

The MDC’s response to these three dangerous predicaments facing a change of government would seem to be politically wise and economically astute. You can read on page 5 how reformers led by Dr Richard Lamerton put forward the arguments that seem to be winning the day.

The fiscal policy of land value taxation takes a monumental spade to all three of these bear traps. Each trap is earthed over and rendered harmless by lvt: it’s the policy which removes the danger for Zimbabwe of moving forward: it’s the policy which frees the country and its people and lets them live safe and open lives again.

Land value taxation is the policy which blesses the land of Zimbabwe.

Peter Gibb
editor@LandandLiberty.net
Private domain

A major change is coming to the internet. Icann—the not-for-profit authority that controls the structure of internet addresses (see L&L 1220)—is changing its rules on so-called top level domains. (Those are the bit of a web address after the last dot and before the first slash.)

For the moment these domains are nation-specific—such as .uk for the United Kingdom or .se for Sweden. (Exceptionally the us assumed the ‘international’ top level domains—such as .com—for itself.) There is no requirement for any internet concern to use a domestic address.

The change means a top level domain such as .hotel could be auctioned off to the highest bidder, for a one-off permanent transfer price. Any hotel owner who wished in future to have a website under the .hotel domain would then have to pay a fee to the (commercial) top level domain owner, at a price determined in the competitive market.

Rather than relaxing the existing restrictions, and deregulating the internet naming system, the regulatory power is to be privatised to the highest bidder. Top level domain owners would enjoy sweeping new monopoly privileges—analogous to feudal land ownership. The value of those privileges could in time prove massive: the commercial owners’ control over access to large swathes of the internet’s trading centres may prove suffocating.

Dr Paul Twomey, CEO of Icann, calls the move “a massive increase in the geography of the real estate of the internet.” He told BBC News: “It will allow groups, communities and business to express their identities online. Like the United States in the 19th Century, we are in the process of opening up new real estate, new land, and people will go out and claim parts of that land and use it for various reasons they have.”

UN seeks tax ‘normalisation’

The United Nations is driving forward a process aimed at ‘normalising’ tax regimes around the world.

The Financing for Development process is an intergovernmental dialogue which seeks “a global alliance” of stakeholders on the financing of international development. The process was born of the 2002 Monterrey Consensus in which developed, developing and transition economy countries pledged "to undertake important actions in domestic, international and systemic policy matters".

In preparation for the Financing for Development Review Conference in Doha this winter, the first draft of the Doha Outcome Document has been published. Paragraph 10 says: "We will strengthen efforts to increase tax revenues through... simplification of the tax system, broadening of the tax base, and... the development of international tax norms and rules. We will consider strengthening the United Nations Committee of Experts on International Cooperation on Tax Matters by upgrading it to an intergovernmental body."

The Committee is a group whose UN work goes back to 1968: its mandate is broad but focuses on issues of cooperation rather than tax policy itself. There is concern that if realised, the UN initiative could effectively delimit the 'authorised discourse' of fiscal policy—compelling the 'Washington Consensus' agenda. Others argue the reverse will be true: that the process—by its inclusive, para-democratic and consensus-building nature—will dissolve the current WTO/World Bank/IMF hegemony in the field. See www.un.org/esa/fid/index.htm for further details.

Thai tax

Thailand is preparing to reform its land and property tax system. Despite lower rates, the new law, if approved, would close loopholes and catch dodgers. Currently a flat rate is due on non-residential land over 100 wah (0.4 ha). The plan has commercial land tax capped at 0.5% of value, residential at 0.1% and farmland at 0.05%.

In a measure intended to combat speculators, undeveloped land would be taxed at double the rate, and increase the longer the land is left undeveloped, up to a 2% cap.

Making movies

This year has seen a surge of interest among land and tax reformers in making movies.

The Robert Schalkenbach Foundation has sponsored the documentary by Philippe Diaz The End of Poverty? The feature-length film was officially selected by the 2008 International Critics’ Week at the Cannes Film Festival. The film is currently doing the rounds of the festivals in search of a distribution deal. (Go to www.theendofpoverty.net)

Fred Harrison has launched The Renegade Economist video channel on YouTube. (Go to www.youtube.com/renegadeeconomist)

The 11th has commissioned two documentary shorts, on poverty and on human rights. The films are presently being shot in southern Africa.

UK reformer Beryl Harris’s long-awaited tax reform film project is nearing completion.

Earthsharing Australia has launched a short film-making competition called ‘I Want to Live Here’. The competition invites “concerned people worldwide” to “address the growing affordability and housing crisis”. (Go to www.iwanttolivehere.org.au)

HGF report

Chairman visits USA

HGF Executive Chairman David Triggs visited the US recently. There he attended the 28th Council of Georgist Organisations’ Conference in Kansas City and visited the Henry George School in New York.

He met with some of the main thinkers, teachers and activists involved in promoting social justice in the US and Canada. In New York Triggs paid his respects at the grave of Henry George at Green-Wood Cemetery in Brooklyn.

Triggs also promoted John Stewart’s new book The President, an entertaining political novel which promotes George’s principles.

A welcome visitor from Korea

Miss Vitnaaree Kang, an undergraduate student from Korea, recently visited the HGF Library Group. Miss Kang is heir to the teachings of an old friend of the Foundation—the late Father Archer Torrey—and inspired by the work of Christian georgists in Korea. Father Torrey and his wife Jane started the Jesus Abbey community in Korea forty years ago. Barbara Sobrielo, Julia Bastian and others have fond memories of conference meetings with Torrey many years ago. The Abbey receives around 10,000 visitors each year and hosts a Summer School of Biblical Land Justice, where Henry George’s ideas are an important ingredient. It seems there is a significant body of Korean georgist scholars within the orthodox academic community. There may be much scope for future collaboration. (See diary, p.24, for up-coming HGF Library Group events.)

New courses

A new ten-week course held at Mandeville Place based on Henry George’s Protection or Free Trade ended in July. Another new course, based on The Condition of Labour—George’s open letter to Pope Leo XIII, will take place on Wednesday evenings, starting on 22nd October 2008 (see diary).

UKIP

HGF Foundation member Dr Richard Lamerton, chairman of the Hereford Branch of UKIP, will deliver a talk on Henry George’s teaching at the Party Conference in the autumn. "UKIP members are usually passionate about justice and intrusive government" he says: "The natural simplicty of George’s ideas is likely to appeal to them strongly."

HGF database and L&L mailing list

HGF members Michael Learyd and Barbara Sobrielo have been working hard to bring the HGF database and L&L mailing list up to date. Members, readers, supporters and friends are invited to advise the office of any changes to their details—or with suggestions for new recipients of complementary copies of L&L.
LVT for Zimbabwe

Zimbabwe’s MDC embraces land value taxation to lift the country from its chaos

...and in an exclusive interview, Dr Richard Lamerton reveals his role in events

The MDC’s radical plans have been formulated with advice from a broad range of sources. Formerer Dr Richard Lamerton—a practicing medical doctor—is an HGF member. Morgan Tsvangirai and Lamerton have long had two close friends in common. Those two individuals—one a commander of Robert Mugabe’s troops in the Independence Wars—have acted as a channel for radical reform ideas into Zimbabwe. That route has had to compete with the ‘experts’ from the IMF and other international agencies. For 20 years Lamerton has passed L&L to Tsvangirai and other MDC leaders. Now it seems his patience and effort may be beginning to pay off. Zimbabwe, now on the very brink of total collapse, may have all the world to thank him for.

“We first heard of a possible policy decision in June,” Lamerton said, in an L&L exclusive. “An MDC statement held out the firm possibility that a land value tax would be the way that they would go. Personally I believe Zimbabwe’s future rests on the policy.”

Lamerton revealed to L&L that the arguments which seem to be winning the day now are the exact same land reform arguments made to Zimbabwe’s leaders before Mugabe commenced his Land Reform and Resettlement Programme. “Unfortunately, on that occasion, we were not heeded,” Lamerton told L&L. “We might have helped avoid the tyranny and violence of what has happened since. But the strategic solution back then to the problem of the white farmer was the same as it is for Zimbabwe’s problems today. Perhaps it’s simply that the solution is more evident today than back then.”

Lamerton is more optimistic now for Zimbabwe’s future than he has been for a long time: “I genuinely believe that we have a second chance. A Zimbabwe land tax has the opportunity to put right many years of wrong. But it’s not just a sticking plaster. A land value tax would also be a springboard—the key policy mechanism which could launch Zimbabwe into a prosperous and happier future. I would love to see the policy funding a new railway from Kariba to Gweru, for instance. Those sorts of projects are just what Zimbabwe now needs.” At the same time, Lamerton counsels care: “It will be critical that the land value tax policy is designed and implemented correctly.” It is clear that many bear traps await the unwary policymaker. L&L

The MDC has just published an MDC policy document under the title *From Ready to Govern to Preparing to Govern* (9th August 2008). As part of its “strategic objective of completing the business of the struggle for national liberation” the Party announces its intention of setting out a full policy platform of its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.” The document presents its plans for government. “Our struggle is not merely a struggle against,” said the announcement, “but it is most importantly a struggle for an ideal.”
Uncorking the economics of terroir

Wine production is particularly sensitive to geography. Michael Veseth muses on the rental value of a Grand Cru and the threats faced by the vineyards

Terroir is a French word that signifies a wine’s special sense of place. Wines from the great vineyards and important regions are said to possess terroir if they reflect in some way the land and people that created them—if they have a taste of place. Industrial commodity wines (McWines you might call them) are pretty much terroir-free.

Terroir is not just a fancy term to uncork when sniffing, swirling and slurping in the company of your oenophile friends, it has important political and economic implications. Adam Smith wrote in The Wealth of Nations that wine grapes more than any other fruit reflect their growing conditions (he didn’t use any fancy French words to describe it) and that wines from certain exceptional vineyards consequently sold for very high prices. Terroir has a market value in addition to its sensory value, Smith suggested. I think he knew that this meant that the owners of those vineyards earned profit from the natural scarcity of the fine wines their land produced.

I wonder if Adam Smith would have predicted the lengths that the owners of these great vineyards would be forced to go to defend their terroir-derived rents? It seems that there is no end to the threats they face: fraud, foreign competition and now global climate change. The valuable rents that accrue to the owners of famous chateaux and regions have naturally attracted wine cheats and their deceptive practices. Sad to say, there are many formulae for wine fraud. You can fake the wine (cheaper wine from another source) and fake the bottle and label. Voilà, you have a rare and expensive commodity that, because it is so dear, may never be opened. Benjamin Wallace has recently written a book that uncorks this sort of wine crime: The Billionaire’s Vinegar: The Mystery of the World’s Most Expensive Bottle of Wine.

Wine fraud need not be so extreme, however. It is relatively easy for a winemaker to multiply profits by blending in some cheap wine from another region to make the limited production of fine wine fill a few more bottles. Dark red wine from North Africa, for example, was for years added to lighter French products. The result was both more cases of ‘French wine’ and a product that was better suited to the French market. Much of the inexpensive ‘Chinese wines’ that you will see if you visit that country contain only a little juice from China-grown grapes and a lot of cheap wine from other places.

In one famous 1985 fraud case, an Austrian winemaker added automobile antifreeze to wine to make it sweeter, stronger and, as you might expect, lethal. The reputation of Austrian wines has not yet fully recovered. And reputation is what’s at stake here. Wine buyers pay extra for the reputation associated with certain fine wines. If the reputation is undermined by fraud and adulteration, the profits disappear.

French wine growers addressed the fraud threat by creating the AOC (Appellation d’origine contrôlée) system, which is found today in various guises in most winegrowing countries (see box). AOC rules originally specified that all wines with a particular designation had to be made from grapes grown in a specified area—eliminating or at least discouraging the North African scam. In the 1930s, however, when bad economic times produced wine fraud of all flavors, the rules were expanded to include not just geographic limitations but also restrictions on virtually every element of the winemaking process.

The Institut National des Appellations d’Origine (INAO) was created to police this...
system. The INAO currently regulates 470 wine and spirit designations and 40 AOC cheeses and other food products including meat, poultry and olive oil. I purchased a set of professional wine-tasting glasses a few weeks ago and discovered that they had been manufactured to meet a strict INAO standard.

The INAO rules from grape to glass!

The basic AOC system has now been integrated into European Union law and even World Trade Organization agreements. The rent-producing designation of fine wine regions is now recognised as a valuable type of intellectual property, worthy of permanent protection. Score one for the terroiristes.

Fraud isn’t the only threat to prestigious Old World winemakers, however. Globalisation has twisted the world of wine and redistributed the rents. On one hand the creation of a more global market for fine wine has increased the rents of the most famous producers, especially the great Bordeaux and Burgundy estates. Prices have risen through the roof as demand for fine wine in Asia has grown and a global winner-take-all market has emerged. Château Lafaur 2005 sells for more than $1000 per bottle, if you can find it! Globalisation has magnified the rents associated with these must-have collector wines (see box).

But globalisation cuts both ways and the competition from abroad has also undercut the returns on lesser vineyard properties and generated a worldwide surplus of inexpensive wine. In Europe, EU distillation policies have supported winemaker incomes for many years. Surplus wines, thin and acid, from marginal vineyard areas, are bought up at public expense and turned into industrial alcohol.

Recent EU reforms promise to remove these subsidies and force European winemakers to compete head-to-head with New World products. Rents will inevitably be redistributed in this process and it will take some time to see where the dust finally settles. New Zealand underwent a similar wine reform regime twenty years ago: protectionist barriers were removed, and growers were paid to grub up acres of unprofitable vines. The short term result was severe—cheaper wines from Australia flooded in and winegrower incomes fell. In the long run the results have been spectacular, however. Winegrowers replanted with quality vines—Sauvignon Blanc and Pinot Noir—and New Zealand has established a global reputation for quality wine. Indeed, New Zealand today earns the world’s highest average export price for its table wines. European winegrowers can only hope to repeat this astounding turnaround.

A final threat to the great vineyards is global climate change. Wine grapes are extraordinarily sensitive to their environments and even relatively minor changes in climate can have big effects on winegrowing success. The rule of thumb, I’m told, is that a rise in temperature of one degree Celsius pushes ideal vineyard location 200km to the north.

With a two-degree rise predicted in many parts of the world in the next 50 years, the shift in wine’s centre of gravity could be dramatic and render accepted notions of terroir obsolete. Champagne? The famous French region might be too warm. Look for ‘French’ sparkling wines from England, then Scotland and perhaps Norway to capture global markets. Napa Valley Cabernet? Look for wines from Washington State and British Columbia, Canada to be the new American icons. Great Australian wines? Well, they may soon be a thing of the past, except for a few from Tasmania.

Adam Smith was right. The natural environment is ultimately responsible for wine’s unique character; and changing natural conditions pose the ultimate threat to received notions of terroir (and the profits associated with it). L&L

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Viticulture is a particular and very clear example of how the qualities freely gifted by nature to a location combine with the licence of society to bestow a landowner with privilege. The fees that are associated with certification schemes raise for the public purse nothing like the value of those privileges. Schemes such as the French Appellation d’origine contrôlée must be reformed to collect the full value of the economic advantage granted by certification, leaving owners free to exercise enterprise in a fair market.

Appellation d’origine contrôlée

The origins of AOC date back to the 15th century, when Roquefort cheese was regulated by parliamentary decree. Some certificates cover vast expanses with a variety of climatic and soil characteristics, while others are small and highly uniform: the Côtes-du-Rhône AOC “covers some 40,000 hectares, but within its area lies one of the smallest AOCs, Château-Grillet, which occupies less than four hectares of land.”


Fine wine as an investment

Wine has become a global investment commodity. Auctioneers Bonhams held one of its periodic sales of “Fine and Rare Wines” in July. The sale featured over one thousand lots and brought in over £500,000—the highest total ever achieved for such an event at its flagship New Bond Street saleroom. Top price was made by a case of Château Lafite Rothschild 1982, from a private European vendor, which reached its top estimate of £18,400. Ten vintages of Château Petrus, also coming from a private continental cellar, “produced notable results”—£12,650 for 6 bottles of 1990, £10,950 for a dozen 1995 and £11,960 for 6 bottles of the 2000 vintage. The 2000 vintage also saw the top price for Château Lafaur at £8,050 for a dozen. “Returns of a managed cellar have exceeded that of the FTSE for over three decades” according to the European fine wine investment company Premier Cru.
The Good Life Lost

In our towns and cities economic mismanagement and greed cost us the good life, says Greg McGill. By adjusting the tax system we could reduce the rewards for greed and reverse the decline.

There can be little doubt that the quality of Western urban life is declining. We have lost the good life. Whether we live in cities, towns or villages it is becoming increasingly apparent that our social, cultural and economic way of life is not what it used to be. All too often we find that what was once taken for granted is either no longer available or provided in a more restricted or less convenient way.

The good life means a living where all our needs associated with home, work and play can easily be met, and where there is a variety of social, cultural, leisure and other activities conveniently available. These should yield an urban fabric of not just houses, shops, schools, offices and industrial premises; but also meeting places (like pubs and restaurants), parks, gardens and allotments, places of religion, entertainment centres (like funfairs and theatres), public transport facilities, sports facilities, medical and emergency services, and much more. Variety is key: but, in terms of quality, it should not depend simply on such a mix of uses. Significantly it should also encompass broader human diversity, provide opportunity for social intercourse, be contained within a quality architecture (both old and new) and, most important of all, be arranged so that all of these interests and activities are easily accessible, either by walking or by efficient, effective and cheap public transport. This is what twenty-first century urban living should be about.

In reality, most of us live a suburban existence where many of the facilities and services are not so convenient and, unfortunately, are becoming less so. Many of us are aware of shops, pubs and post offices closing down, but not necessarily of the continuing nature of this process. For example, according to the UK Office of National Statistics, between 1994 and 2001 around 37% of independent shops selling food, tobacco and beverages closed for good—and since then even more have followed. It’s also easy to forget that over the last 15 years there has been an average annual decline in the number of post offices in the region of 2-3%; where, in 2001 alone, Britain lost 547 of these community life-saving institutions. Earlier this year it was announced that a further 3500 are now to go, as part of the government’s Network Change Programme.

Then there are the other services and facilities that have already been lost or are still disappearing, such as school playing fields sold to housing; and increasing child obesity appears to be one consequence of this. Examples abound relating to all manner of services—such as the sale of allotment grounds and the closure of town-centre fire stations and local hospitals, frequently making public services less accessible when we need them. What is so disappointing is that such consequences take second place behind the need for public and other organisations to ‘consolidate their resources’ (eg. sell land) in order to balance budgets.

What we are witnessing is a continuing gradual reduction in the availability of accessible and necessary services and facilities. And this is happening at a time when food and fuel prices are rising, where inflation is on the increase, where negative equity is again raising its ugly head, and where concerns are growing about the impact of our activities on climate change and the environment. It all adds up to genuine and serious concerns about the decline in the quality of our life in the West. What is the option for a better outcome?

In seeking to answer that question it is worth remembering that governments are frequently criticised for tackling problems in a piecemeal way. The implication is that we should seek to find a common cause linking the above diverse range of matters—and there is, in fact, just one cause, namely land. Accessibility and convenience provide the key to the urban good life because we are all totally dependent on what is provided and where it is located; and land is the common denominator. What we should concentrate on, therefore, are the matters which influence how land is used. There are, of course, many such influences. They include the size and distribution of the population, the creation and distribution of wealth and the regulatory systems (or lack of them) that are adopted by governments—deregulation, privatisation and town planning spring to mind. But land use is also influenced by other matters such as globalisation and taxation, which are more influential than many people realise. In their different ways all these matters affect the demand for and supply of land—and the use to which, subsequently, it is put.

In respect of demand, the starting point must be people. ‘Communities’ is the current buzzword of government. It’s as if all will be solved if communities can be created and nurtured. But globalisation and deregulation undermine the very essence of community because of the ease with which people and money can now move freely around the world. Both are drawn to attractive and accessible parts of individual countries (eg. in England—London, South Devon and the Cotswolds) and shy away from the already really bad, run-down areas. On the one hand local people are priced out of their local markets and have to move elsewhere to find jobs and housing. On the other, people who are desperate to leave the ‘sink’ estates are unable to do so. The point is that the demand for land differs enormously in different localities, with serious consequences for the good life because it affects the availability of goods, services and facilities that people need. This is true in both the more popular and less popular areas.

Another important factor affecting the demand for land is the way our economies work. In broad terms, because all life is totally dependent on land and because it has no cost of production (it’s been around for millions of years) the returns to land, known as rent in economic terms, or land values to most of us, are a ‘surplus’ over production costs. That is, they arise simply from the demand for the privilege of using particular land, and are paid irrespective of what is produced or what buildings are constructed on it. In reality land is the source of all wealth because everything originates from it, which means that the returns to land must come first, therefore, before wages, goods and services. Thus whoever controls the land controls production, and the more costly land becomes, the greater the return to landowners—with less available for everything else including houses, wages and services. This is a fact that is all too frequently overlooked.
The situation, however, is made worse because the systems of taxes that operate in countries such as the UK and US (income tax, capital tax, goods tax etc.) almost exclusively focus on the productive forces in society, rather than the unproductive forces—most noticeably land. Admittedly taxes such as business rates and, in the UK, Council Tax, have a land element, but these charges apply primarily to buildings and not the ground underneath. Therefore, like all other taxes, they add to the costs of production. Applying to what we produce, they have to be absorbed in some way, usually in the form of higher prices. Charges on land have no such effect because, being the natural resource, it has no cost of production. It simply exists.

As a result, two serious consequences arise for the good life. One is that current taxes are passed on in the form of higher prices. The other is that they foster speculation in land. This then encourages greed and sets in train a vicious circle whereby this fiscal mismanagement encourages further greed which in turn encourages further mismanagement. Allowing this is one of the most unsustainable things societies can do.

The answer to the question of a better outcome would seem obvious. Alter the system of taxation: away from the productive forces in society, and on to land. This would reduce speculation in land which would reduce demand and hence the cost of land. In turn this would enable more money to be made available for everything else. It would also encourage more efficient and effective use of land and be a real driver for urban regeneration. And it would support small businesses and help create greater local diversity. In short, it would foster urban living, reduce pressures on the environment and help bring back more of the good life.

Greg McGill is a practicing surveyor and town planner with an interest and expertise in urban research and development management.
analysis

Iraq, violence and resources

Jon Mendel rejects Iraq's 'resource curse' and argues a natural resource dividend and land tax offer real hope for the country's future

"We should make sure, if there is a conflict, in any post-conflict Iraq there is a proper UN mandate for Iraq and that oil goes into a trust fund and we don't touch it, the Americans don't touch it without UN authority. Now, we can't say fairer than that."

—Prime Minister Tony Blair, MTV Forum, 11th March 2003

Prior to the invasion of Iraq, Tony Blair offered his commendably simple answer to accusations of 'war for oil'. Unfortunately, things quickly became more complex. In the post-invasion Iraqi economy, 4.4% of the Iraqi oil that was known to have been extracted under the Coalition Provisional Authority (CPA) disappeared off the books. As the BBC reported—more than $8 of Iraqi funds was thus 'unaccounted for' under CPA rule.

Blair repeatedly insisted that one benefit of Operation Iraqi Freedom would be to give control of Iraqi oil revenues to their rightful owners: the Iraqi people. However, flaws in the CPA accountancy procedures make it—for all practical intents and purposes—impossible to verify whether or not the Coalition implemented this pledge.

Further worsening the situation, the CPA handled badly those Iraqi funds that did not go missing. A high proportion of reconstruction contracts were—as the Revenue Watch Institute reported—awarded without competitive tendering, and "the bulk of contracts paid for with Iraqi oil money went to Halliburton subsidiary Kellogg Brown & Root with no competition". There is also evidence of bribes having been demanded, and of foreign companies hugely inflating their charges. As Revenue Watch puts it, the CPA unfortunately "chose not to apply the same standards that apply to US funds" to Iraq's resources.

Iraqi resources—in particular, the division of oil revenues—also play a significant role in sectarian tensions in the state, and attempts to alienate these resources could considerably inflame tensions. As Larry Diamond—an expert on post-conflict reconstruction—argues, the Iraqi constitution "leaves current oil and gas fields under the control of the national government but give the regions control of any new finds". These new finds are very likely to be significant: some estimates of currently drilled reserves are as low as 20%. Due to where the different ethnic groups are predominantly (although far from exclusively) located in Iraq, this would favour Shia and Kurdish areas at the expense of Iraq's Sunni minority. This could considerably raise ethnic tensions.

Violence springing from—among other things—ethnic tensions inflamed by arguments over resource revenues can lead to claims of a 'resource curse': researchers such as Philippe Le Billon note that "compared to less well-endowed countries, resource-rich countries have been on average poorer and less competently governed".

Some view the violence in Iraq as a consequence of such a 'curse'. However, even if one accepts for the sake of argument that natural resources are correlated with worsened outcomes, correlation does not necessarily imply causation. This apparent curse is not due to any intrinsic quality of resources: for example, black liquid in the ground does not in itself cause poverty and corrupt governments. Instead, any curse is caused by the way that resources play out in various social and political contexts. It is therefore something that can be changed.

As Fred Harrison—the self-styled 'renegade economist'—puts it: "nature's resources do not curse anyone. Rather, the curse flows from bad stewardship of the public domain". Improving the stewardship of the public domain has the potential to turn a curse into a blessing.

When looking to address this 'curse', one promising form of resource distribution would be to "distribute revenues directly to the people"—as the economists Sala-i-Martin and Subramanian argue in their paper 'Addressing the Natural Resource Curse: An Illustration from Nigeria'. Seeing the problems caused by Nigeria's oil resources, they "propose a solution for addressing this resource curse which involves directly distributing the oil revenues to the public".

Sala-i-Martin and Subramanian have a specific mechanism in mind for Nigeria: they advocate "an inalienable right of each Nigerian to have access to an equal share of oil proceeds. This would take the rents out of public officials [sic], thereby undermining the corroding process engendered by the rents, which have detrimental economic consequences". I will consider how and why their proposal is applicable to Iraq.

First, arguments about the distribution of resources are exacerbating ethnic tensions in Iraq. The individualisation of resource revenues could play a significant role in easing tensions around resource distribution, and thus have a major role in the amelioration of the ongoing violence and the move towards a better future for the country. While resources and resource rentals would still play a prominent role in Iraqi politics, the issue could be shifted from how much Sunni, Shia, Kurdish and other groups and local governments can take from these revenues to how much each individual or family can get: instead of incentivising competition between groups for resource revenues, there would then be a real incentive for individuals to work to maximise the dividend earned by everyone. This would be a kind of individualism, but one that has the peculiar effect of incentivising people to work together.

Also, administering resource rents in this way in Iraq would have the benefit of moving the Iraqi government away from depending upon the revenues from natural resources. Currently, the Iraqi government is able to depend on revenues from oil and other natural resources for a substantial proportion of its income. This fails to offer it sufficient incentive to build up Iraq's community values (for example, by developing its economy). If Iraq's economy were to deteriorate even further, this would not (aside from potential problems with extraction and export) reduce the resource revenues that the government could receive from oil. Iraq's government thus has the 'benefit' of a revenue stream that can be maintained even while many aspects of the state's economy and society are in a process of collapse.

This concern about a government reliance on resource revenues does not mean I am advocating a move to taxes such as income and sales taxes: among other problems, these taxes have a negative impact upon productivity, and the political situation in Iraq raises significant
problems regarding collection. Instead, I would expect that the payment of a dividend from Iraq's natural resources would allow individuals to fund a number of services that typically are offered by the state (although which are, because of the current problems in Iraq, frequently not offered to a good standard by the Iraqi state).

An improving Iraqi economy would generate greater community values: for example, the rent of residential and commercial land would rise as more people wanted to live, work and trade in particular areas. A more 'conventional' land tax therefore could be used to draw on these growing community values, in order to fund what would initially—by necessity—be a fairly minimal government. Such a tax would, as the land and transport consultant Dave Wetzel argues, allow a state to "abolish economically damaging property taxes... raise personal allowances so that millions of lower-paid workers pay no income tax at all; and reduce sales tax rates to help consumers and businesses". There are also promising options for drawing on other community values: for example, rights to utilise mobile phone radio frequencies in Iraq rented to interested network companies at a market rate.

This would have a number of benefits. A land tax would generate a certain level of income for the government and would be easier to collect than many alternatives: land is rather hard to hide or smuggle. As Wetzel puts it, "land cannot be taken to Jersey in a suitcase. Consequently land tax will be cheap to collect". This tax would also give the government a real incentive to continue working to build Iraq's communities and economy: as this social and economic development takes place, land values and therefore tax income would increase.

The dividend scheme recommended here would provide a very significant income to individual Iraqis. While there are multiple causes of the current violence in Iraq, financial hardship plays a clear role.

The US Department of Energy estimates Iraq's proven oil reserves at 30bn barrels: estimates for reserves yet to be discovered range from 45 to 50bn barrels. Especially bearing in mind that fossil fuel prices will almost certainly tend upwards, this is an incredible abundance of resources, of huge value. Iraq's natural gas reserves will also be significant: known reserves stand at 112 trillion proven cubic feet, with perhaps another 90-150 trillion cubic feet to be discovered. As the Project for Defense Alternatives notes, Iraqi oil income previously ranged from $10 to $20bn per year (with black market production and sales potentially adding another $2bn) and it would be possible to more than double production with proper investment. Exporting oil at near to capacity could thus allow approximately $8-900 per year basic income for each of Iraq's 28 million citizens. This is before natural gas and other resources are taken into account. This would be a significant addition to the income of Iraqis: in 2003 the UN estimated that the average Iraqi income was $450-610, and falling.

A virtuous circle may also arise: where reductions in hardship and improvements in other areas themselves allow increased stability, and therefore increased extraction/export of Iraqi resources (and increasing income from other sources). To continue and complete the virtuous circle, this process could itself lead to a further improvement in the political and economic situation in Iraq.

The ways in which Iraq's resources have been used and abused have very much played into the post-invasion disorder. It has materially weakened the state and played a major role in de-legitimising both the CPA administration and subsequent Iraqi governments.

There needs to be an alternative way of distributing Iraqi resources—using a dividend to distribute revenues from Iraq's natural resources directly to the Iraqi people, while funding the business of government through a land tax which draws on Iraq's community resources. This two-pronged fiscal approach would have a number of practical advantages: it would provide Iraqis with a valuable individual income; help to ameliorate ethnic tensions; keep money out of the hands of corrupt actors in the government and other bodies; and make the Iraqi government draw more on community rents as opposed to natural resource rents. The use of a land tax to fund government activity would both help to fund essential services and incentivise the government to work to build Iraq's community values, without the damaging effects and collection problems associated with other taxes. These changes could therefore bring both immediate and ongoing benefits to Iraq. I would both hope and expect that a dividend payable to Iraqi citizens from resource rents, and a land tax to fund government programmes, would have sufficiently positive effects for them to be popular policy options for the indefinite future.

The introduction of a natural resource dividend and a land tax offer real hope for Iraq's future. As Sala-i-Martin and Subramanian put it, a resource dividend would mean that resources would go to "citizens, ultimately their true and legitimate owners". This would both lead to a sense that revenues were being legitimately shared and used, and help to build a stronger sense of what it is to be an Iraqi citizen—and a more peaceful, prosperous society.

There is great potential for Iraq's natural resources and community values to be used to build a better future for the country and its people. There are sound political, economic and ethical reasons to move to a citizen's dividend and a land tax. It would be an expensive, bloody, but not improbable tragedy if this opportunity is missed—as against the backdrop of an occupation that is costly in both lives and money—private, largely foreign companies continue to scramble around to appropriate Iraqi resources for their own ends. LAL

![Image](https://via.placeholder.com/150)

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Struggle or peace?

Julien Gross is a hero. Locked up four times for his beliefs—now 96 years old and living safely in fashionable north London, his surroundings today belie his less comfortable origins and the hard and often violent road that delivered him West. Land&Liberty met him at his Hampstead apartment to talk about what it takes to change the world.
First comes food—morals follow on
(Erst kommt das Fressen, dann kommt die Moral
Bertolt Brecht The Threepenny Opera)

JULIEN GROSS is one of those rare people who has managed to live in balance a full and loving personal life with the life of an active, radical reformer. That balance was struck asunder in December last year when "I experienced the greatest tragedy—my companion of 70 years—André, died, after suffering a stroke."

Though not a day-to-day activist like himself, his wife's humanity, wisdom, good judgement and abundant love had completed him as a person.

"Now I feel like an orphan" he says. "I'm constantly in fear of losing the alertness of my faculties. I'm saved only by the spiritual feeling of her constant presence around me."

But Gross has always had to be sensitive to what are—inevitably—the opposing pulls of the home life and the life served for humankind. The joy of Gross's life is that he has not had—as Ian Crichton Smith put it—"to sacrifice private love for public responsibility". Most are not so lucky.

For I have watched while Spain, struck dead, Salted the eyes within my head...

Today I clearly understand
The gulf that cracks across the mind, Strife on behalf of human-kind, The choice that catches at our breath, Immortal dying or a living death.

Mine is a hopeless death alive
Because I did not force my love
Out of my splendid private grove, Because when History strode by
I loved a woman in my secret sky.

v.2, 9-10, poem xviii
Poems to Eimhir by Sorley Maclean, 1971 translated by Iain Crichton Smith

It's not that Gross hasn't seen the attraction of the quiet life of the 'splendid private grove'. It just hasn't been his way. In fact, when it comes to 'quiet', his life has been anything but. Gross always has felt too strongly the responsibilities of a reformer, and still does, for that other way to be his: the fight against injustice has been his calling. "I can't help but speak the truth: when you see it—truth—what else is there to do?"

A recent incident in one of the perhaps less-major causes in Gross's life might be illuminating here: Gross has been instrumental in a local campaign to prevent Vodafone erecting a mobile phone mast on the roof of his apartment block. He cites health concerns as his motive.

One day recently there was a standoff when a contractor's crane arrived—unannounced after the start of the working day. The local paper reported a still embattled Gross celebrating their victory, but warning "the fight continues". So, was that how Gross saw his life and work—the movement for reform—as a 'fight'?

He thought yes. A 'fight' indeed is how he saw it. The fight to win "the land for the people". A fight for simple ordinary people and their dignity. He sometimes feels the 'rent for revenue' movement might come across as "a sacred cause"—at root indeed he believes it is—but Gross has been fighting not for the gods, but for humankind. Human justice of the everyday kind is his guide. (In any case he suspects people might be turned off by causes claiming to be sacred.)

But the drive to justice—and from injustice too for that matter—is not made up of simple either/or decisions. It's most usually a matter of the better of two middle courses. And the truism is of course true that it's often the case that a better world is missed—or indeed a worse world created—in the drive for the ideal world: witness the great Soviet experiment—though Gross is keen that "the hijackings by the tyrants" should not be allowed to blacken Karl Marx's name.

It might be thought that the morality of the reformer should be at the forefront as they disturb people from their more or less comfortable lives. In an ordinary life the current arrangements are the known ones of political certainty: reformers—and even more so revolutionaries, Marxist or not—can offer only uncertainty. It takes a particular sort of age—a society need have a particular mindset—surely, to respond positively to the notion of reform? Or do we just live in particularly sloppy times?

The violence of the twentieth century, the century of ideas-in-action, was brought to mind, and the morality of pursuing a reforming agenda put to Gross—the morality of forcing others to confront a truth perhaps being necessarily avoided by them. Gross was clear—"speak the truth you see, and just put justice, always, before your own interest."

"But then there are the children" says Ivan Karamazov, 'and what am I to do with them? And again: 'I want to forgive. I want to embrace. I don't want any more suffering. And if the sufferings of children go to make up the sum of sufferings which is necessary for the purchase of truth, then I say beforehand that the entire truth is not worth such a price.'"

Dostoyevsky in The Brothers Karamazov quoted by Paul Auster in The Invention of Solitude

Gross recognises he has been lucky: he has done more with his life than most. That doesn't stop him regretting the amount of work that still needs to be done in the fight for justice.

Talking of the movement of which he's a part Gross is a tad scornful. He looks back over the years, on organisational decisions taken that he looked on then and still sees as strategically wrong—"repeated mistakes" he believes, "of great significance". Gross sees much of the work being done today within the international movement for radical land and tax reform as, at best, optimistic: he sees other work that should be being done instead. And he's impatient: he thinks too many reformers spend their time discussing "parking spaces in paradise."

Gross has another agenda for work. He is clear on what should now be done, and the man is not short of ideas. Political organisation is high on his list. He sees the failure of four generations of reformers to organise themselves politically as the major cause of the movement's lack of success today. Establishing a new-media-embedded 'instant rebuttal' unit, to seed the mainstream media with a there-and-then alternative perspective on world events is a more specific project that he thinks is key. Thinking aloud, he wonders at the movement's failure to use that great British social institution—the pub—"a place of fraternity", as a tool of communication and persuasion (although
he recognises and laments the decline of that institution—and the ascendency of its nemesis the 'gastro-pub'). A rather easier project to put into effect, Gross enthusiastically awaits the launch, someday, of www.guardian.co.uk/landreform as the home of daily thoughtful comment on the human being's basic relationship with its environment. A greater endeavour would be founding a university chair in land—'land' pure and simple, the stuff of human life, as opposed to 'land economy' or some such 'professional' thing. Establishing a building cooperative that will let people 'sidestep and not be sold out to the banks' would be an even larger undertaking. (He argues society should operate "as one big cooperative—it's the ideal model—a huge nineteenth century movement, and we don't speak about it now"). And he wants reformers to reconsider Marx—this is at the core of hiscry for political organisation: "Henry George has certainly pointed us to the goal—but Marx gives us the means." All in all, Gross wonders, summng up his proposals—given what the worldwide movement is actually doing today—"Is it time for a new start?"

Gross is a man of dignity. It's an important notion for him, lying at the heart of his ideas: "Above all things", he says, "we must protect human dignity. The taking of dignity, humiliation, these are things we must immediately condemn, without reservation."

For Gross the fundamental purpose of reuniting people with their birthright in land is the restoration of their human dignity—dignity before their maker (his sentiments though not his words), and before their peers. For Gross, human rights are fundamentally about that—dignity—and without equitable access to the gifts of nature and community he cannot see how that dignity might be achieved. "You cannot have human rights without access to the sources of life" he says. Gross sees the movement's failure to forcefully render this equation, which directly links 'land' and 'human rights', as a disastrous error: "we speak about human rights only en passant" he laments.

Gross is saddened by much in today's world. He doesn't see the politicians or economists as being at all of the necessary stature. He is despairing of the events around 9/11 and the West's response. He knows "land is of course the issue", and is outraged by the management of the media-controlled public discourse.

Recently, London itself, his adopted home, has somewhat soured to his taste: "It's a playground for the Oligarchs" he says with quiet sadness—"land values paid for by the billions who suffered under Stalin". The privatisation of his homeland's natural and common resources—started under Gorbachev but continued under Yeltsin, Putin and now Medvedev—is a subject of deep anger for Gross. Gross's 'biological' home—Ukraine—is a worry. His country has (again) become a focus between East and West—the possible flash point for a major conflagration ahead. The country's recently-achieved WTO membership has been controversial. More problematic is that Ukraine is considered to be an 'ru hopeful'—with all that means by way of backstage goings-on; and has been promised an invitation to join NATO. None of this is at all to the liking of the neighbour to the east: and it is not likely that Russia will stand idly by while it all comes to pass.

Gross also wonders at the future of that other once—and would-be-again—superpower—China. He sees that country's new-found stature. He sees the "turmoil", "there is more that holds us together than separates us."

The worldwide movement for land and tax reform is a broad church. When its supporters find themselves admitting a political inclination, they find their co-travellers a diverse bunch. Rent-for-revenue reformers come in every form, from right wing libertarians—across the full conventional political spectrum—to left wing democratic socialists and Marxists. Gross is most certainly closer to the latter than the former: but in a movement of individuals he may himself be something of a one-off.

Still, with all the diversity of experience, outlook and ideas within the movement—which Gross certainly helps enrich—it is the movement's common insight of a truth, greater than mere politics, which continues to unite it. And Gross is glad for that.

While for most (if not all) reformers the free market has a key role to play in advancing the goal of justice, Gross is wary of it: "If we rely on the free market we have no way of speaking for our children" he says. But then that might be the proper purpose of government.

A sacred cow of most free-marketeers is the corporation: but it's an institution Gross would slay without hesitation. "The corporation is a black power that hasn't changed in the last one hundred years" he declares. He sees the corporation as the power behind the imperial throne: "I think it looks like the American President does what he likes—but that's not really how it is. Who might be behind him? Whose interests are being served by his actions?"

Individual corporations come and go, reflects Gross—they change name, some grow bigger or cut back; profits are posted, then losses; they're bought out, their structure liquidised, or just their assets 'received'—but through all this Gross sees the activity, the ownership, the mentality of incorporation enduring, and of course spreading. He's profoundly disturbed by it—and, critically, by the corporation's increasing enclosure of the world's resources. "Take a rifle; it's iron and coal no matter," he says enigmatically: "ask RTZ the price of going to war".

Gross sees the corporate media industry as a specifically dangerous thing: "They are the real dark power" he says. "They present their facts as if they were the views of the people."

And the media's representation of the current economic crisis, in which house prices are beginning to fall within people's reach, outrages him. "It very much supports the interests of the banking sector," he says. "A mortgage is a chain around your neck, under the guise of progressive capitalism, to wring the last drops from the sweat of working people." In terms of the daily misery created by unattainably-high house prices—beyond token notice "people don't talk". His engagement in current affairs, the concerns of the common people, is undiminished.

But Gross's life is quieter now, than in his younger days: less outward activism, though his mind is as active as ever. Weekday evenings a circle of neighbours meet for lively debate. He's proud of its diversity—it's attended by Greeks, South Africans, Arabs, Sikhs. "We talk", he says: "and anything goes". His neighbours ask him 'what is georgism'? "I don't tell them: I say 'I will speak to you as a georgist, and you will see.'"

Perhaps that's all, in the end, it takes: to speak—and like Gross, to act—as reformers.
Julien Gross was born in 1912 in Olevsk, Russia, a small city in Zhytomyr Oblast, 150 miles northwest of Kiev, in present-day Ukraine. Gross has been not just a witness but an active participant in many of the key historical events of the twentieth century Europe. He saw the end of the Russian Revolution and the civil war which followed. He witnessed Trotsky’s “haunting the newly equipped Red Army marching on Poland—and a few months later the same returning in tatters.” They had been followed by a new Polish army—the Hellels, “brutally anti-Semitic.”

Gross became a political activist. Moving to Warsaw he joined the communists and fought the White Shirt fascists. His political activities earned him his first term in detention—two and a half years in prison.

In 1934 he crossed the Carpathian Mountains to Czechoslovakia seeking political asylum. But he was double-crossed by a Communist Party contact, and he landed back in jail. Luckily he managed to escape before interrogation. He was able to expose to the Prague press the infiltration of the NKVD (the forerunners of the KGB) to the League of Civil Liberties and the police.

An intervention on his behalf in the Czech senate allowed him to stay on in Prague, where he mixed with the eminent Marxist and socialist politicians and theorists of the day. But later that year he left Czechoslovakia on a fake passport. He travelled west as a Czech tramp. Supported by “surprisingly still-functioning Jewish communities.” Gross tramped across the breadth of Germany, where he observed “with a frozen heart children parading with wooden swords and rifles, and chanting anti-Semitic songs.”

He reached Holland in the aftermath of the worker’s uprising in the Jordan district of Amsterdam, which he joined. Crossing over to Belgium he met Tito in Brussels—“who to me did not look at all like a minor Stalin to come.”

On the train down to France Gross had a “near death” experience. “My artistically produced passport was of the same kind that the Ustaša (Croatian terrorists) had—who had just killed the King of Yugoslavia and the French President, and were hunted on all the French borders. I learned about it while reading the evening paper in the train, but it was too late to leave the train.” Following a scrape with passport control he somehow, once again escaped the clutches of the authorities.

In Paris he joined the anti-fascist movement. His first act was facing down the French fascists—Les Croix de Feu—in the Place de le Concorde. “It was the first time I experienced shooting up-close. People were falling around me.”

Along with comrades from the old jail in Warsaw he launched the first anti-Stalinist paper Que Faire. He participated in the French Front Populaire and, now down south, organised strike in 1936 in Toulouse.

Gross then joined forces with the Spanish POUM (Partido Obrero de Unificacion Marxista) against the fascists in the Spanish Civil War. Already hunted by the Stalinist and French police, before long it would be the Spanish police and the Gestapo too.

In 1937 he won the world first prize for window dressing. But this was still work with a political message: his window in a department store in the southern French city of Perpignan exhorted the old republican call of Liberté, Égalité, Fraternité (Liberty, Equality, Fraternity)—whilst the official emblem of imminent Vichy France, permitted by the Germans, was Work, Family, Fatherland. The display led to him being denounced by an employee of the store. By then he was supporting the French Resistance and using his art for anti-Vichy and anti-Hitler propaganda. Gross had to flee.

A major Resistance group based in the southwest of France charged him with crossing the Pyrenees with a message to the American consul in Pamplona—“but I had bad luck again”; on the Spanish side he was arrested by police and put in Pamplona Prison—then transferred to Miranda de Ebro concentration camp. Gross didn’t sleep well in Pamplona: “night after troubled night was punctuated by the echo of Republican prisoners being executed.”

After three months of imprisonment Gross was freed to leave under the guise of an American citizen. He reached Gibraltar in August 1943 and then embarked, as a Czech national, on a risky war-time sea voyage to England. In spite of two bombings en route Gross arrived unscathed.

In Britain he was detained in the famous Victoria Patriotic School in Wandsworth, London—“for interrogation, and while the veracity of my statements were checked, I spent six weeks there with future leaders and heads of state of many European countries.” The school was a clearing station for friendly aliens who had escaped the continent to fight for the Allied cause. It was necessary to screen arrivals to detect any who might be enemy spies: “Spycatcher” Colonel Oreste Pinto was in charge of investigations.

In October 1943 Gross was released from detention, “with the compliments of the authorities and a ‘utility suit’ into black out London under nightly attack from the Luftwaffe. In London he learned the trade which he had to practice for the rest of his working life—textile printing and pleating. He became a successful businessman: his firm’s in-house journal Pleating and Fashion soon became a guiding manual for the fashion trade.

Now living in quieter times and gentler surroundings, Gross’s life became less hazardous and more thoughtful. His political interests shifted to the ecology movement, he discovered Buddhism, and then in the early nineties, most significantly for him, the ideas of Henry George. “I felt I had found the real meaning and rationale of democracy.” In reading Land & Liberty he saw “true philosophy, in contradiction to all other arbitrary concepts.”

He now sees himself “sitting on the crown of my vantage platform with, on my right Karl Marx; not withstanding his misjudgements—to ignore his contribution to the understanding of the history of our times—is not to be alive on our planet. On my left Henry George, not notwithstanding his fatal undervaluing of the deciding factor of political organisation—to ignore his revelation of the essential conflict within our society and his proposed solution—is not to be living in the future of our planet.”

Gross’s New Horizons project seeks the marrying of the two great philosophies of Marx and George: “The fact remains that these two ideologies, when judiciously revalued, are still the most valid of our times” he told the 2006 International Union conference in London: “If amalgamated they could open new horizons for humanity.”

He styles the perspective he has arrived at as Geodemocracy—literally ‘land-based democracy’—“our aim is to retrieve for the people the wealth derived from the land,” he says. That aim he pursues through his Economic Justice Movement and Geodemocracy Forum.

Gross continues too to be an activist within his community; fighting also for pensioner rights. His mind though never strays from the wisdom of his Geodemocratic perspective. (Go to http://web.mac.com/jullengross)
The Universal Declaration of Human Rights at 60

With simultaneous parties in New York and Geneva, the Universal Declaration of Human Rights celebrates its 60th birthday on the 10th of December. Fernando Scornik Gerstein might send a card, but is looking for a declaration of change.

It is difficult to imagine today just what a fundamental shift the Universal Declaration of Human Rights represented when it was adopted sixty years ago. In a post-war world scarred by the Holocaust, divided by colonialism and wracked by inequality, a charter setting out the first global and solemn commitment to the inherent dignity and equality of all human beings, regardless of colour, creed or origin, was a bold and daring undertaking.

― UN High Commissioner for Human Rights

Louise Arbour

HUMAN RIGHTS Day 2007 saw the launch of a year-long commemoration leading to the 60th anniversary of the Universal Declaration of Human Rights. The United Nations is rightly proud of the UDHR. The organisation holds that since its adoption in 1948 "the Declaration has been and continues to be a source of inspiration for national and international efforts to promote and protect human rights and fundamental freedoms".

But a clear perspective reveals that the presumption in that statement is not wholly true. This is because humanity's most 'fundamental freedom' of all is not even mentioned in the UDHR: the most basic universal human right, which should have been declared in that historic document in order to establish that freedom, is missing from its pages. The UN's Universal Declaration of Human Rights is silent on our human right to be on earth and enjoy the fruits of nature and community. The missing 'right' is the right to a radical land reform settlement. Without that basic right, all other rights, as set out in the thirty articles of the Declaration, are built on sand. And in time, without fundamental land rights, one by one, they will collapse into that sand. Without the right to land, and equitable access to the common inheritance of nature and society, it is not possible reliably to exercise any 'right' to, for instance, 'security of person' [Article 3], or freedom from 'servitude' [Article 4]—never mind rights to 'shelter' [Article 25], 'work' [Article 23] or 'education' [Article 26].

The United Nations calls the Declaration a 'living document'. Yet there seems little awareness—whether at the UN itself, or in government, in the media, in business, in the education sector, or among civil society—that the Declaration's 'life' might enable, and indeed require, it to change, as humanity's enlightenment increases. The UDHR prefers instead to proclaim the UN's 'enduring relevance' and its "universality"; and certainly those qualities are real enough, so far as they go.

But the UN is wrong to claim of the Declaration, as it does, (if we are to take a literal interpretation of their statements) "that it has everything to do with all of us." It does not have "everything": it has a large and important piece missing. For our twenty-first century universal human rights, that will not do. The UN's Universal Declaration of Human Rights has been proven inadequate—and it must now be reformed, into a Declaration of Universal Human Rights. E&L.

www.UNpetition.net

Fernando Scornik Gerstein is President of the iv and senior partner in the international law practice bearing his name.
edward j dodson's cooperative individualist view

They say that "the game isn't over 'til the fat lady sings". Well, there are signs aplenty that the economic game is over—and the home team has lost big time. Many of us are singing. The tune is: "We need change".

The economic news in the United States is not good. In response to declining profit margins, businesses large and small are doing what they always do in such periods: they are ditching employees, closing down production facilities and offices, and seeking government subsidies.

At the core of the US economic engine is declining employment—for even the well-educated and technically-competent. While government puts unemployment at 5.5%, analysts put the real rate at nearly 11%. And even this level is coloured by the growing public payroll: more people are now employed by government in the US than in producing goods.

Across the US more than a half million people are homeless. 60% of those are single men, but a third are families. For a quarter the situation is more or less permanent.

When people lose their jobs or experience a fall in income, they quickly absorb whatever savings they have and then stop paying creditors. We should not be surprised that the number losing their homes to foreclosure continues to rise. Where land prices had been climbing for over a decade, lenders and owners ignored history (and common sense): Arizona, California, Florida and Nevada—the US's 'high growth' regions—are experiencing the highest rates of foreclosure. Over 1.5 million US homeowners defaulted on their mortgages during 2007; in 2008 2.5 million could lose their homes.

Predatory lending practices and other forms of mortgage loan fraud have played their part in this crisis. They show a high correlation with communities whose residents were lower income, minority and elderly. Another factor shared by distressed communities is a very low effective rate of taxation on land values. Foolishly, many states have been imposing restrictions on property taxes or providing rebates. Revenue shortfalls are made up by higher taxes on sales and/or income, or by cuts in expenditure on public goods and services.

Another symptom of deeper problems is banks falling into insolvency. Numbers are still small by historic standards: but analysts are forecasting about 200 bank failures over the next few years. Institutions whose business plan focused on construction lending are particularly at risk as demand for new homes continues to fall. Banking giants that securitised billions in sub-prime mortgage loans are absorbing huge losses, and reserving billions more against forecasted losses to come.

We also face the multifaceted problem of our huge prison population. Although the US has less than 5% of the world's population, our prisons hold nearly one quarter of the world's prisoners—over 2.3 million and climbing. The correlation between poverty and criminal behaviour is strong, and roughly one million more people are falling into poverty every year.

As the US population continues to age, the number over 65 living in poverty has also increased. The poorest elderly today are women living alone on their survivor benefit: many have no pension and minimal savings or investment income.

We have reached a watershed moment in this country. The fat lady is singing to us, but her song tells of deepening distress. The rules of the game brought us to the point of collapse. Widespread criminal behaviour is doing the rest.
Owner, worker, giver, thief

Ian Hopton reflects on the origin and basis of ownership, and argues that the future for society lies in the elimination of illegitimate property.

Wealth and power derive mainly through ownership. Economic power is exercised through the possession of property—taken as all forms of material wealth, including money. The extent of our possessions provides a measure of our economic power. The economic power of governments is dependent on their ability to extract, through taxation, a proportion of the nation's wealth to finance their schemes. But not all property, and so not all such power, is legitimate.

Whether property is legitimate or illegitimate is determined by its means of acquisition—through either work, gift or theft. Legitimate ownership arises from work or gift; illegitimate ownership from theft. It is necessary to agree definitions of what is 'work' or 'gift' or 'theft': we are dependent on definitions for the continuing conduct of our everyday affairs.

Perhaps the plainest means of acquiring property is through work. Work I would define as conditional on that activity leading to a result that is socially beneficial. We of course have to go on to define what is meant by 'socially beneficial'; but the fact remains that the necessity for agreed definitions is important. This is demonstrated for example in the fine distinction that is made between tax avoidance and tax evasion, between legality and illegality. It is something that is argued back and forth by lawyers and accountants striving to interpret ever-changing government legislation, until a settlement is finally agreed. It is often just a matter of degree, and many business practices employ lawyers simply to keep them within the law.

Thus it may be that the distinction between legitimate work and illegitimate activity will depend on a similar consensus view. In this sense the fraudster, who may expend great effort, skill and diligence in their activities does not 'work'. Equally the failure of an enterprise may not be due to lack of work. Many factors may be involved, not least of which is luck. It may perhaps be a matter of incompetence. But incompetence, although unfortunate, is not illegal. We must often accept an honest intention of usefulness.

Initially, of course, the purpose of work is to benefit the individual. Very few of us work for the benefit of others: we do it for ourselves. But if this work is conducted within the legal constraints and ethical standards imposed by society, then it is also of benefit to society. In doing legitimate work for ourselves we work for society, and this form of work merits reward in the form of material wealth or its substitute money.

The acquisition of property by gift would generally appear to be fairly straightforward, except where the gift is of high value—as with bequests in a will. Society would appear to set a limit to the amount of wealth that may be passed on to one's friends or family before suffering a deduction for tax. It is as though there is a stigma attached to the acquisition of property other than through work, and society demonstrates this by imposing a tax on the inheritance of wealth that has not been earned. Conversely, gifts to charities are viewed with approval and consequently merit an additional contribution from society in the form of tax relief.

There is one form of acquisition that does not readily fall within the category of gift, and that is when something of value is found or discovered. If this is of small value, or is something that cannot be identified as another's property, then the social custom allows that the item may become the legitimate property of the finder (see box below). If however there is some evidence of identity or personal value to another, the retention of the item would be seen as a form of theft.

Where theft is concerned a definition is far more problematic and requires much sensitive investigation, for it raises questions of basic morality. We are forced to examine our own beliefs and the generally accepted notions related to property.

As we have said, wealth and power are derived through ownership—and historically this has always been so. We see that no matter how hard an individual of modest means might work, the resultant increase in their overall wealth may be insignificant in comparison with the increase arising from a slight adjustment in the affairs of a rich man. Whether such adjustment can be described as work is extremely difficult to determine. The rich would of course say yes it can, for they may devote a great deal of their time and effort to just such activity; and it is quite apparent that in the rarified world of international finance such adjustments can gain or lose millions of pounds within seconds for the fortunate or hapless owners of funds. In our judgment as to whether such activity is work, we must rely mainly on the adjective 'useful'. We cannot deny the exercise of great skill, even of courage—but whether such large scale financial manipulations are useful we may perhaps leave open to question. It is certainly an established part of economic life which there appears no collective will to change at the present time: too many of us benefit from it.

All individuals are desirous of profit or gain, and the above example is used to illustrate that—in the pursuit of gain—production of artefacts cannot compete with the manipulation of wealth. (Wealth being measured in terms of possession, either of actual or monetary property.) It seems obvious that it is more advantageous to be rich: and having achieved that desirable state, to expend no little effort in maintaining it. Again, whether such effort can be described as work is questionable, for its usefulness is of benefit only to the rich—the owners of excessive wealth. The question being posed here is whether ownership so achieved is legitimate or illegitimate.

Probably the oldest and most venerated form of ownership is that of property in land. Throughout history the ownership of land has bestowed great power and privilege on the owner, and it continues to do so to the present
day, albeit in a more disguised form. But, actually, property in land is probably the most blatant act of theft perpetrated by society on itself. It is stated in this way deliberately; for the whole of society is culpable.

Very few question the validity of property in land. Even the dispossessed, mostly, believe that such a concept is legitimate. But the whole of society is culpable.

The system is now entrenched in everyday life, and the buying and selling of shares, regardless of what industry they represent, is carried out on behalf of anyone with a savings account or pension in any institution. We are all absentee owners, either directly or indirectly. But ownership necessarily entails responsibility, and if these responsibilities are neglected, great social injustices will result. Where enterprises are successful and prosperous, everyone is happy to take a share in the wealth created; but when the enterprise runs into difficulties, the ‘owners’—the shareholders—accept no responsibility. On the contrary they will try to sell their shares or complain to the professional managers (they themselves (collectively) put in place) that their profits are down.

Private trade has always been a legitimate activity—the abiding principle being to buy at a low price and sell at a higher, and thereby make a living. The trader makes a profit and society is served by a facilitation in the access to goods and services. The activity is useful work. It is another cornerstone of capitalism. There would appear to be no limit to the extent to which a product may be traded and re-traded: as long as there is opportunity for profit, someone will see it, and take it.

Speculation has always been accepted as an inevitable part of trade and commerce, and is often the starting point of an individual enterprise. We cannot make a moral judgement about the initial motivation but only the final outcome. Gambling on the stock market and with international currencies is a part of ‘free’ capitalism, and is tolerated, even encouraged in times of prosperity; but when the cycle turns down (in large part due to this unrestrained speculation) we tend to cry foul. In the current declining market the recent episode of ‘short selling’ of shares, to make a quick profit when a company is in difficulty, raised amongst many commentators the question of its legality.

The exercise of power by private organisations is a very different matter to the exercise of power by public organisations, e.g. governments. The former have no obligation to the public good, whereas the latter will claim to make this their first consideration. Such claims of course may be false, but at least there is a pretence to a moral obligation. No such pretence exists with private organisations; they are accountable only towards their own self interest. There are of course private benefactors who finance trusts and charities, but the welfare of society should not have to be dependent on these. Equally, there are corrupt national governments that are no more than self-serving oligarchies, which are able to exploit their own unfortunate populations far more effectively than any private organisation: the current Burmese and Zimbabwean regimes being prime examples.

The London stock exchange was established in 1688, but already by 1697 a licensing law had to be passed to ‘restrain the ill-practice of brokers and stockjobbers’ and inhibit insider trading and market rigging. The debate is still going on about whether secret insider trading should be legalised.

The point of all this is that we cannot avoid regulation, and the regulators cannot avoid definitions. In the financial industry—where a great deal of activity is concerned with manipulating money to gain some immediate personal profit—a definition of what constitutes work is very difficult to pin down. I would maintain that a definition of genuine work should recognise an outcome of useful social benefit. Where this is absent then the
activity is not work and the private benefit that arises from it, whether as property or money, is illegitimate. What is legal and what is illegal has to be spelt out, and the legislators have to be two steps ahead of the sharp practitioners, instead of three steps behind as at present.

Where the social good is concerned, there is economic activity that is individually and socially beneficial and there is other activity that is individually beneficial but socially damaging. Those, therefore, who gain a living from the latter (and it is often a good living) which results neither from work nor gift must be engaged in a form of theft.

The main cause of poverty in the contemporary world is the growth and maintenance of ownership in large powerful concentrations that take from society more than they give. It is a form of theft for it is not gained in isolation from the rest of society but by virtue of its very existence.

All real wealth is produced through the application of real work and those who have an excess of wealth who have not gained it through their own work have gained it through the work of others. In this sense the act of theft is gradual and insidious but no less real. We see the gradual transition from legitimate to illegitimate property, legitimate to illegitimate power. The primary cause of poverty is an economic system that promotes those selfish motivations that result in excessive concentrations of wealth and illegitimate ownership. In simple terms the fundamental cause of poverty is greed.

One is not arguing for the confiscation of wealth or even for equality of result. There is, of course, a case for equality of opportunity—but not for what individuals will make of it. The idea of economic equality has fostered much illusion. The fact is that we devote a great deal of energy striving to be as unequal as we can. In any chosen activity, we are proud of being excellent, not average. Of course our dreams are seldom realised, but that does not alter the basic hope.

It is futile to rail against self-interest, or even greed. They cannot be eliminated by legislation. Attempts to do so in the past have resulted in the imposition of brutal tyrannies which try to compel people to conform to some moral code devised by the rulers. We should concentrate less on the issue of equality, and more on that of justice. It is a great human virtue that we are all able to recognise justice and fairness. In that sense perhaps we are equal. If justice and fairness became the guiding principles in our economic affairs then the issue of equality would resolve itself.

Political economy is not about production and wealth creation, it is about morality: and the first moral law is that the strong owe a duty towards the weak. There are enormous social injustices, even within the prosperous western world, to say nothing of the gross injustice of a half-starving Third World. Of course, remedial activity is constantly being carried out to alleviate the worst consequences of poverty, but it never can get to the root cause of the problem—which is a social and economic world so organised as to facilitate concentrations of excessive wealth and the safeguarding of illegitimate property.

The major challenge is to face up to the issue of ownership. But this can only be done when the existence of a problem is recognised, especially by the rich and powerful, for only they have the power to effect a peaceful change. Any reform of the situation will require a re-definition of 'work' and of 'ownership', with their attendant rewards and responsibilities.

In the complex world in which we live, gradualism is essential to any reform. The present situation is the result of slow evolution over many centuries. The Gordian knot that we have made for ourselves has to be painstakingly unpicked. The heroic idea of severance at a stroke, favoured by revolutionaries, causes more problems than it solves.

The challenge for society lies in devising a socio-economic system which recognises the difference between legitimate and illegitimate property, between work that is socially beneficial and work that is not, and which incorporates appropriate incentives to promote the former at the expense of the latter.

Ian Hopton studied economics whilst working as an architect in London in the 1970s. He now lives and works as an artist, painter and printmaker in France. This article is based on an essay published in Resurgence magazine 235 www.resurgence.org
BY 1989 several regions across the United States were most vulnerable to a serious downturn. Parts of New England had experienced rapid increases in land prices as the region became a new centre for technology research and development. In Hawaii and on the West Coast, Japanese and Korean investors had acquired every type of real estate, outbidding those buyers more concerned with positive cash flows than expectations of flipping properties for quick gains. When the Japanese and Korean land markets collapsed, investors were soon forced to begin selling off property assets in order to raise needed cash. The glut of properties coming on the market accelerated already collapsing property markets in Hawaii and California. Wherever land prices had spiraled upward, the most, the collapse in values was the most pronounced.

Economists expressed general concern that a recession was possible but only a very few pointed to the nation's land markets as the primary cause. Under Greenspan's direction, the Fed moved to tighten credit and impose primary cause. Under Greenspan's direction, the Fed moved to tighten credit and impose beneficial effects. The tax rates on high marginal ranges of individual income were increased; however, as the wealthiest individuals obtain a far higher portion of their income from capital gains than from ordinary income, the net effect was to shift the burden of taxation downward. Working Americans at the bottom end of the wage spectrum continued to be pushed into perpetual indebtedness and poverty. At $5,15 (the minimum wage adopted in late 1997), the purchasing power of those who received this wage level was 42 percent lower than in 1989. Access to other forms of public assistance (as well as the percentage of pre-adults in the work force) make it difficult to use the minimum wage as an accurate test of the number of people living in poverty, but it does reflect the extent to which income and wealth had become highly concentrated in the top 5% to 10 percent of American households.

The income and wealth distribution consequences of the Clinton tax policies have been obscured by the fact that with the end of the recession, total tax revenue climbed significantly. Revenue from individual income taxation rose from $476 billion in 1992 to $590 billion in 1995. And, revenue taken in from corporations rose from $100 billion in 1992 to $157 billion in 1995. An analysis distributed by the Citizens for Tax Justice concluded that the 1997 changes in tax law largely benefited those at the top, whose incomes came from dividends, interest, capital gains and inheritance. Under the Clinton watch another important change in market forces was introduced by the repeal of the Glass-Steagall Act. Restrictions preventing banks from opening retail branches in multiple states were removed, resulting in a wave of bank mergers and acquisitions. Foreign banking entities entered the us market as well. Cynics noted in passing that one of the first to benefit from this banking deregulation was none other than the Secretary of the Treasury, Robert Rubin, who left the administration to take the top job at Citigroup following the merger of Citicorp and Travelers.

One very good indication of the market response to the Clinton-era policy changes is the extent to which the conventional mortgage loan limits of the two GSEs had to be increased in response to rising land (and, consequently, housing) prices. By 1993, the loan limit for purchasers of a single-family dwelling jumped above $200,000, to $202,300. The following year that limit was raised to $203,150, where it remained until 1996, when it was raised to $207,000. From 1996 on, rising land prices forced loan limits upward at an increasing rate—to $214,600 in 1997, $227,150 in 1998, $240,000 in 1999, and $252,700 in 2000. First-time homebuyers, in particular, became increasingly dependent on gifts from family members or grants from public agencies to meet even greatly reduced down payment requirements.

These were the years I worked as a Senior Business Manager in the Housing & Community Development group at Fannie Mae. We struggled with trying to achieve the right balance between acceptable credit - and property-related risks and a core mission objective of increasing the rate of homeownership among minority groups. Many changes to traditional underwriting practices were adopted to respond to the housing needs of the nation's huge underserved population. Yet, none of these changes was introduced without careful analysis and monitoring. As the years passed, new and more reliable analytical tools became available, including credit scoring developed by Fair, Isaac and Co. (FICO). Credit scores were very accurate predictors of how mortgage loans performed over time, generally more important than how much cash a borrower contributed to a purchase transaction, or household income or the amount of cash reserves a borrower had in the bank after closing. Maintaining high credit standards allowed both Fannie Mae and Freddie Mac to keep loan losses well under control even as average loan amounts were climbing. Clinton's legacy was taking shape. 

Edward J Dodson is Director of the us-based School of Cooperative Individualism and author of Discovery of First Principles. Picking up in 2006 and taking us to the present day, this article will be concluded in the next issue of L&L.
reviews

Our own worst enemy

Henry George: Political Ideologue, Social Philosopher and Economic Theorist
edited by Laurence S Moss

The major piece in this book of essays is Michael Hudson's 'Henry George's Political Critics'. In this he cites as two of the criticisms of George his singular focus on ground rent to the exclusion of other forms of monopoly income, and his refusal to acknowledge interest-bearing debt as the twin form of rentier income alongside ground rent.

As Hudson points out, land remains the largest asset class even in today's industrial and high-technology economies. Because mainstream thought now merges land rent and interest with all other earnings, the former has become virtually invisible. Economic rent is hidden in the other factors of corporate income, and its size is difficult if not impossible to evaluate (although estimates put it as one-third). George's single-minded focus on ground rent, initially his greatest journalistic asset, was so widespread in America, points out, is that home ownership was so widespread in America, then as now, that most families and businesses wanted the land value of their property for themselves. In 1924 Upton Sinclair observed that the narrow focus of the Single Taxers became their political undoing.

Henry George was not given to cooperating with others. When he was co-chair of the Land Reform Conference in Paris in 1889 he spent most of his time in his hotel room rather than working with the delegates to promote his ideas. The failure of George and his followers with their narrow focus led, Hudson says, "to splits within the Single Tax movement, especially in Britain, where the School of Economic Science moved away from George to place major emphasis on debt and financial reform." This is not strictly true, as the School continues to regard George's ideas as important—although it has indeed widened its scope of enquiry.

Another major essay in this book is Charles McCann's consideration of the social philosophy of George. He looks at some of the complexities (for some, contradictions) in George's presentation of his ideas, which McCann feels inadequate for a persuadable political programme. The way George offered to capture the undeserved wealth from the undeserved surplus has its critics. The Duke of Argyll, not entirely unbiased, said: "Never, perhaps, have communistic theories assumed a form more curious, or lent themselves to more fruitful processes of analysis, than in the writings of Mr Henry George." Rather more fairly he points out that George's depiction of conditions in modern society was little more than "a picture only of the darkest shadows with a complete omission of the lights."

Perhaps Henry George was his own worst enemy in overplaying the downside of the society in which he lived, and not constructing concrete proposals to put his ideas into effect. There is much to debate in these studies which should be the base for fruitful answers.

Geoffrey Lee

Textbook economics

A New Model of the Economy
by Brian Hodgkinson

This is a major new work of great potential importance. It is not a book which seeks to persuade, although it is persuasive: it is a book which seeks to explain, in a clear and systematic manner, that which modern economic science orthodoxy has been unable to explain: and it seeks to explain it in a manner that is addressed to those who need to understand. A New Model of the Economy is a purposefully academic book: its intended reader is the teacher or student of economics.

Brian Hodgkinson describes economic science in the fullness of its reality, and in all its dimensions—including the hitherto improperly recognised dimension: land. The book is the equivalent of Copernicus' De revolutionibus orbium coelestium—which knocked the Earth off the centre of the universe. If epiphanies can come from text books, unsuspecting readers might expect one here.

In introducing his work, Hodgkinson's preferred analogy is also astronomical—flat-earth science—which is how he characterises modern-day economics orthodoxy. A New Model of the Economy provides the student of economic science with the equivalent of the geographical comprehension of the earth as a sphere and not a wobbly plane.

A sophisticated post-flat-earth understanding is key to a modern person's ability to live their life in its environment. Just so the professional economist in his work.

A NEW MODEL OF THE ECONOMY

BRIAN HODGKINSON

a quick note ...

The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It
by Paul Collier. h/c £16.99

'Resource Curse' opponent Collier pinpoints issues of corruption, political instability and resource management to blame for the world's poorest—the bottom billion who are living on less than a dollar a day while the wealth of the world moves on.

Once Upon a Time in the North
by Philip Pullman. h/c £9.99

A ripping wild-north tale from the world of The Golden Compass. Against the background of a frontier struggle between nascent democratic institutions and untrammeled corporate power in pursuit of the valuable prize of resource privatisation—Lee Scorsby, the Texan balloonist, first meets lorek Byrnison, the armoured bear.

Gridlock Economy: How Too Much Ownership Wrecks Markets, Stops Innovation, and Costs Lives
by Michael Heller. h/c £15.99

Argues "excessive property rights" jam up the economy and lead detrimentally to underuse of resources and loss of family estates, inhibit the development of life-saving drugs and impose obstructive copyright restriction.

Agricultural Support, Farm Land Values and Sectoral Adjustment: The Implications for Policy Reform
by OECD. p/b £17

This study focuses on the capitalisation of government support into land rents and prices. It assesses the consequences of inflated asset values, and suggests lessons for future policy making.
Economists today employ ‘flat-earth’ models, which are unrealistic. They ignore the huge influence of spatial location, which gives rise to economic rent. This has expanded proportionately to the continuous growth of most economies, and profoundly affects how they operate.

Brian Hodgkinson

Money: A Mirror Image of the Economy (2nd ed.) by JW Smith. h/c £32 or download free from www.ied.info/books/Money

"Only a handful of great books, brief and highly focused, have moved civilizations significantly forward. This is one of those rare books."—Professor Glen Martin, author Millennium Dawn


Published simultaneously with Money—Smith looks at the historical implications of reform, describes how economic property rights have allowed plunder by trade, and reiterates his argument for monetary reform.

I'm a bit of a fogey. I dress like an old man and I particularly appreciate British clothes. Harris tweeds and Northampton brogues for the country and flannel and black Oxhards for the city. One of my particular fancies is Jermy Street shirts; the sort with double cuffs, two-piece split yokes, matched stripes, mother of pearl buttons—and all that. But most of the otherwise venerable names in the old street have moved their production facilities to Eastern Europe or even the Far East where labour is cheap. And they'll cut costs by using fewer stitches per inch (so the cloth goes quicker through the sewing machine allowing more shirts to be produced in less time) and fusing collars with glue. So they're hardly Jermy Street quality. The remaining two or three highest rated companies have their garments made in Scotland or Northern Ireland (and to better specifications). But not in Mayfair. So are they Jermy Street shirts?

We've heard in this issue about the trouble with the appellation of wine and cheese. Similar issues are at stake if we look at fine clothing that is closely connected to a specific location like Jermy Street—and particularly the mighty Savile Row. I don't go to the Row because I haven't yet managed to sell my mother to raise the funds (although I am taking offers). Like Champagne—but to an even greater extent—the Savile Row 'brand' is not only very valuable, but is so specific in its geography that you can find it in your A-Z. Bespoke suits, of course, don't grow out of the ground like grapevines, but since the training regimes and stylistic traditions are so firmly grounded on the Row the comparison isn't all off. The Savile Row Bespoke Association is a trades association created in 2004 to protect the Row's tailoring tradition. It defines 'Savile Row' as any location within 100 yards of the actual street—as a number of tailors have workshops that extend to neighbouring properties.

Quite unlike the Champagne district, however, Savile Row isn't located in the countryside. It's in London W1 where property is dear. Companies like Holland Estates who own the majority of the properties on Savile Row could do better by renting the expensive space above the shops to solicitors or bankers, instead of tailors with ancient sewing machines. A number of the properties have stipulations that limit their use to sales and manufacture of clothes. But that definition also covers American purveyors of trendy Chinese-produced fashion clothing.

At the same time, Savile Row alumni like Edward Sexton and Thomas Mahon have moved out; Sexton to the—still posh—nearby area of Knightsbridge, while Mahon works out of an old Cumbrian manor house, and meets his clients in London. Both are Savile Row trained but decided rent was too high. "You can take the boy out of the Row but you can't take the Row out of the boy," says Sexton. And he's probably right; his work is highly regarded—but is it 'Savile Row'? The quality's still there, and the pedigree, but that coveted direct link to Savile Row isn't.

The tragic irony of truly-fine men's clothing is that Savile Row has marginalised itself because it's on Savile Row. Because the massive rents of the city centre workshops are channelled into the price of the suits, it makes more economic sense to go to a tailor in, say, the North, than to Henry Poole. Savile Row (and rent) is killing Savile Row.

Peter Gibb

| Money: A Mirror Image of the Economy (2nd ed.) by JW Smith. h/c £32 or download free from www.ied.info/books/Money |

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11th-12th September 2008, London (event free) conference Political Philosophy & Taxation The UCL Centre for Philosophy, Justice & Health www.ucl.ac.uk/~ucesswo/tax.htm

20th September 2008, London (members only) AGM Henry George Foundation of GB 11 Mandeville Place, 10.30 am www.henrygeorgefoundation.org/
starting week beginning 22nd September 2008 course Economics with Justice www.schooleconomicscience.org

26th September 2008, London John Heffernan at the HGF Library (see bottom)


starting 22nd October 2008 for six weeks (Wednesday evenings), London course The Condition of Labour www.henrygeorgefoundation.org/

31st October 2008, London John Pincham at the HGF Library (see bottom)

7th November 2008, London Michael May at the HGF Library (see bottom)

14th November 2008, London Jacqueline Waltz, the HGF Library (see bottom)


5th-9th August 2009, Cleveland, Ohio CGO conference The Best of Tom L. Johnson www.progress.org/cgo/

Fridays (all welcome) HGF Library Group meetings and lunch 11 Mandeville Place, 2.30-4.30pm (lunch from 1pm at nearby Pizza Express) www.henrygeorgefoundation.org

\[\text{letters} \]

so what do you think?

Reading the last issue of L&L I was wondering if Land&Liberty had changed its name to Body&Servitude?

I'm not suggesting we should stick only to a narrow interpretation of the subject matter, but I am surprised that three monologues (including the whole of the front page) were given to opposing medical calls for increasing the availability of transplants from people who have not previously registered their wish to opt out (unless the next-of-kin could demonstrate an unregistered objection or it would cause major distress to close relatives).

If I was one of the hundreds of people who needlessly die each year for the want of a transplant I guess I'd be keen to see the UK adopt a system already successfully practiced in the majority of EU countries.

As for LL Blake's article on the benefits of privilege, monarchy and aristocracy—I'm just surprised that L&L didn't provide readers with a free cloth cap so that we peasants would know our place and duff them at our 'betters'!

Dave Wetzel
London

Why HGF not 'well prepared to unlock the puzzle'?

In the spring issue of L&L Iain McLean reminds us that John Stuart Mill said: "If the Grosvenor, Portman and Portland estates belonged to the municipality of London, the gigantic income of those estates would probably [emphasis mine] suffice for the whole expense of the local government of the capital."

How much is that "gigantic income"?

In the same issue the news item 'Whither Grosvenor's medieval wisdom?' tells us that when "David Triggs, Executive Chairman of the Henry George Foundation, wanted to know what the effect would be on the Grosvenor Estate if taxes were removed from its buildings and placed on the value of its land", he received a dusty answer from Grosvenor's Research Director, Dr Richard Barkham.

At that point I hoped that Mr Triggs would say "Well, for your information, Dr Barkham, the Henry George Foundation has calculated that the land value tax on the Grosvenor Estate would be ex!" Followed, of course, by gasps of astonished admiration and thunderous applause.

But that didn't happen. The news item fizzled out with the rueful words "that those with greatest interest in the status quo might be least well prepared to unlock this puzzle."

Sure. But why isn't the HGF 'well prepared to unlock the puzzle' by giving us some real figures rather than optimistic speculation? We have a right to know how much money a tax on land values would raise; how much you, I, and the Duke of Westminster would pay—and how those figures have been arrived at.

Until we have such information, tax reform will remain a beautiful fantasy that no one—least of all the voters!—can take seriously.

And I shall be very sad.

R F Ilson
London

L&L and its publishers are always on the lookout for offers of assistance to do work just like this. Present resources limit our ability to be unfailingly 'well prepared'. If you think you have something to offer please contact the office.

\[\text{diary} \]

\[\text{NEXT ISSUE} \]

out December 2008

sharing and monopolising intellectual property

Russia: beyond the oligarch years

England's green and pleasant land: the threat from the north
the modern neo-colonial experience

100 years since Lloyd George's people's budget—a lost century?
"To resolve the Israeli-Palestinian conflict we Americans need greater awareness that resources and rents lie at the heart of this dispute. What has been called an ethnic or religious conflict is, at heart, a land conflict."

—JOSHUA VINCENT addresses President Obama
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SHEPARD FAIREY'S iconic portrait of Barack Obama has come to symbolise hope and change for America. But the question on everyone's lips remains "what change, exactly?" (see p. 6)

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columnists

Edward J Dodson is Director of the US-based School of Cooperative Individualism and author of Discovery of First Principles.
Lars Rindsig is Executive Editor of L&L.
David Triggs is Executive Chairman of the Henry George Foundation, publisher of L&L.

news in brief ...

Scottish tidal leases
The Crown Estate in Scotland has announced an application process for "sea bed lease options" for the UK's first commercial marine power sites, in the Pentland Firth between the mainland and Orkney. The Estate is owner of the seabed to the 12 nautical miles territorial sea limit. The Firth has one of the UK's most valuable tidal power resources. The first leasing round aims to harness the tide to deliver 700MW of power by 2020. An 'etendering' system, probably by reverse auction, will be used for procurement.

UK workplace parking levy
The UK government is proposing to empower local authorities to bring in workplace parking levy schemes. Authorities, business and campaign groups are already lining up for and against. Pioneer Nottingham City Council plans to impose a levy on businesses with more than 10 workplace parking spaces. A local high-profile anti parking levy campaign is backed by the chamber of commerce and the CBI.

New Orleans, old ghettos
Worries about catastrophic future weather and a lack of trust in the authorities' response to protecting the city are playing havoc with New Orleans' land prices. Some areas are now uninsurable, rendering them unmortgageable: land values have evaporated and areas are re-ghettoising—along race lines, and to geographic boundaries harking back to segregation. The newly re-elected Louisiana Insurance Commissioner continues to face stout criticism.

New UK coalition formed
A dozen UK think-tanks, charities and political pressure groups have joined forces in a concerted effort to advance a fresh approach to solving the current global economic crisis. The Coalition for Economic Justice is proceeding on the basis that—as Einstein was reported saying in a previous case—"the world cannot get out of the current state of crisis with the same thinking that got it there in the first place". L&L's publisher the Henry George Foundation is a founding member of the Coalition.

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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 people at the heart of economics.

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www.HenryGeorgeFoundation.org

letter from the editor

SINCE AT least the late 19th century, land and tax reformers have advanced their programmes on the basis of a philosophy that saw the proper economic basis of public life as other than traditional taxation. Notwithstanding the variety of tactical initiatives taken in different times and places, including the advocacy and pursuit of the process of tax shifting (the 'gradualist' approach rather than the 'whole hog' approach), the underlying strategy that has been assumed and that has informed work has been the replacement of traditional taxes by the rental values of land and natural resources. The 'rent-for-revenue' argument has been advanced specifically never as a possible additional source of public revenue, but as a source of public revenue in lieu of traditional taxation. This is how it has always been for reformers. All efforts have been made on that basis.

It is a truism, if mostly a dubious hope, that times of crisis are times of opportunity. But the global economic crisis of which the world is in the midst provides reformers with a galaxy of new and different opportunities to advance their case and to popularise their radical perspective. Is it time to reconsider strategy?

Western governments have chosen to respond to the financial emergencies being presented to them by ailing economic institutions by injecting massive amounts of public money into the private sector. The public debt has been the loser. $1,072bn was added to the US public debt in 2008 according to the US Treasury. In the UK, the public sector real debt—adjusted to take into account the government's off balance sheet accounting practices—is expected to have risen some £570bn in 2008, according to MarketOracle. For the next few years the Western fiscal landscape will be moulded by ballooning public debt and contracting GDP. How will the day of reckoning come?

There are several ways in which these public debts might be cleared, but the most inevitable is by increased taxation. President Obama will want to face that unpalatable prospect early in his term. American reformers should expect the White House to be rooting about for new sources of revenue. In the UK, that extra taxation is likely still a year or two off—dependent on the timing of the next general election. UK reformers need to programme this into their plans and actions. Reformers everywhere need to heed the movements on their own local public balance sheets.

The inevitable path of a typical Western government's fiscal requirement through the coming medium term—say the next five to ten years—will follow a course reformers have not recently had to engage with. "That path will take in, first, the need to find new additional sources of revenue to service and repay the debt; then a rebalancing of the fiscal scales as the need for revenue 'normalises'. The strategic scenario this presents to reformers is a new one. It will have two phases: first (and we are more or less there already) rent for revenue must be presented to governments as an acceptable source of their required additional revenue; second (presenting in perhaps five to eight years from now), when revenue needs fall and the time comes to negotiate the retaining or relinquishing of optional revenue streams, rent for public revenue must be presented to governments as the preferred source of income—in the stead of traditional taxes, then to be jettisoned.

The global economic crisis presents reformers with historic new opportunities. But it will take a strategic change of direction to engage with the greatest of them.

Peter Gibb
editor@LandandLiberty.net
news

The pioneers of the New African Age

Kenya The Kenya government is pursuing major reforms to comprehensively address the complex land question in the country. The Ministry of Lands has published a new Draft National Land Policy to "establish an appropriate land taxation system to mobilise revenue and discourage land speculation". Land scarcity is an enduring issue in Kenya—as all over East Africa. Clashes on the Kenyan side of Mount Elgon in 2007 left over 150 dead and displaced more than 60,000, according to Reuters.

The Ministry's analysis concludes that "the land based revenue sector is not performing as it should" and that "it is imperative that reform measures are put in place in the interest of equity, discouraging land speculation, enhancing revenue collection, and making serviced land more accessible". The Ministry's policy response includes "in urban areas the Unimproved Site Value and Improvement Value Taxation"; for unplanned settlements "a special revenue collection system such as House Tax or Area Tax... designed to tap into the emerging commercial property markets in the slums and also facilitate improvement efforts"; and a "Development and Capital Gains Tax... applied in order to capture for society some of the value created through public infrastructure improvement".

According to government sources, Kenya Minister for Lands, Mr. James Orengo recently told the East African Legislative Assembly that the Draft National Land Policy would soon be discussed by the Kenyan cabinet before being debated in Parliament.

In a further move, Kenyan members of the Assembly have called for harmonisation of land laws across member states—Uganda, Tanzania, Burundi and Rwanda as well as Kenya—a region of 1.9 million square kilometres with a population of 100 million. US President Obama's father was a Luo from Nyang’oma Kogelo in Kenya's Nyanza Province. The President keeps an interest in Kenyan affairs.

For more information about the policy and to download a copy go to www.ardhigke

Ethiopia The Ethiopian authorities are in discussions with UK-based reformers about their land and tax policies. Prime Minister Meles Zenawi has a personal insight and understanding of his country's land-based problems that place him at the forefront of what some are foreseeing as the new African age.

Zimbabwe The Zimbabwe government's controversial land reform programme now lies in tatters after a Southern African Development Community tribunal ruling. The Constitution of Zimbabwe Amendment Act 17 nationalised the country's land in 2005, and remaining white farmers were served with eviction notices. The SADC case was brought by a group of evictees. The ruling reads: "We... hold that in implementing (Constitutional) Amendment 17, the respondent [Zimbabwe government] has discriminated against the applicants [farmers] on the basis of race and thereby violated its obligation under Article 6 (2) of the [SADC] Treaty". Morgan Tsvangirai's MDC's progressive land and tax reform policy [LB 1232] awaits a tipping point in Zimbabwe's fortunes.

Republic of South Africa Discussions are far advanced within the government on a proposal to introduce a land tax, the Land Affairs Minister Lulama Xingwana has told a Parliamentary Committee, according to a report in BusinessDay. Such a tax would assist the government's bid to fast-track its land reform programme, the minister said.

Meanwhile, in the voluntary sector, a "historic legal challenge" is being mounted to South Africa's Income and Property Rates Acts. The Initiative is being led by the South African Constitutional Property Rights Foundation, a Cape Town-based public benefit organisation. The Foundation's mission is to "make land affordable for everyone by challenging those South African tax laws which contradict the Constitution". Foundation director Peter Meakin told LB, "we will be arguing that equity means affordability for everyone, however poor. That is, by law, unused land should have no entry cost". Go to www.sacprif.org

HGF report

AGM This year's AGM of the Henry George Foundation, held at 11 Mandeville Place, London, in September, was a happy and positive affair, helped by the abundance of good news that could be reported from the past year. More new members and supporters were recruited than for many years past and a corresponding increase in donations gave a significantly enhanced revenue. Members appreciated the successful development of the new educational courses held throughout the year. The retirement of Jose Menname and Julia Bastian from the Council of Management—two long-standing stalwarts—was regretted with sincere appreciation for their contributions over many years. Three new members—Michael Learoyd, Peter Bowman and Renate Schmidt—were elected to the Council.

Friday Library Group The autumn programme of Friday afternoon meetings of the Library Group continues to attract established and new supporters to hear talks from speakers from both within and outside the Foundation. The Group has been encouraged by the continuing stream of people drawn to visit following contact through the HGF website.

Principles of Political Economy The spring course programme is now under way. Encouraged by the success of the autumn course (The Condition of Labour), a new ten week course on the 'Principles of Political Economy' started on 9th January (see diary and HGF website). Enrollment continues enthusiastically.

Authors 2008 Around 70 came to the HGF-sponsored party in December to celebrate the work in 2008 of authors John Stewart, Brian Hodgkinson and Geoffrey Lee, and publisher Anthony Werner of Shepheard-Walwyn.

UK Coalition The Foundation is a founding partner in the new UK initiative the Coalition for Economic Justice (see news in brief...). HGF Executive Chairman David Triggs said: "We are pleased to join with other groups advocating the collection of the unimproved value of land for public revenue as a replacement for taxes that inhibit production. It's the way to solve the current crisis." Through the office of Vince Cable MP a seminar has been arranged in the House of Commons on 24th March. HGF members are urged to bring the event to their MPs' attention.
CAP reform

Paul Flynn MP writes: a Scottish dairy farmer has caused a political uproar after it was revealed that he is to receive £1 million a year in farm subsidies: nine times more than the subsidy entitlement for the milk his cows produce.

William Hamilton (and Sons) of Meldrum Farm, Blairdrummond, Stirling, is the first Scottish farm to receive a single year payment of more than a million pounds (£1.47 million). The new single farm payment scheme pays farmers on the amount of land they own. Producing crops is irrelevant. They can stay in bed all day and still get the handouts. Even better they can sell their farm subsidy entitlements to investors—who may never have set foot on a farm.

At a recent public auction of farm subsidy entitlements in Scotland an investor paid £562.82 for a subsidy entitlement that is worth £506 a year indefinitely.

Under EU regulations, only someone classified as a farmer can buy the right to receive subsidies, but to be classified officially as a farmer, people need only hold a lease on a minimum of 1.7 acres for ten months of the year, and never need to visit it. Scottish landowners are now leasing out vast tracts of rocky highland for as little as £5 an acre a year, so that investors can claim to be farmers. For each acre you lease, you can buy annual subsidies averaging £100 an acre, but which can rise to over £1,000 an acre.

Still 40% of the EU budget is spent on wasteful single payments. At a time when tottering industry is in dire need of a helping hand, this is a chronic misuse of money.

Dip into Paul Flynn MP’s lively daily blog on www.paulflynnmp.co.uk

Meet the Social Liberals

A new political party with a double difference has been launched in the UK. The Social Liberal Party’s first difference is that most of its members, including its front bench team, are still teenagers. The second difference is that the party’s policy platform is built on “switching taxation away from earned income onto unearned wealth”. The party’s manifesto announces it as a ‘liberal’ party and sets out detailed national land tax calculations.

The party already has 13 branches across the country and hopes to count its members in the thousands by the end of the year.

Party leader Anton Howes (17) told L&L why they supported land value taxation: “It’s just a great idea, especially for first-time buyers and those unable to get onto the housing market”.

Renegade Economists Radio

The Renegade Economists radio show [not to be confused with the separate YouTube channel, see Scotland, back cover: Ed] is a weekly 30 minute episode highlighting ‘Geost’ interpretations of current affairs. Karl Fitzgerald (K2) and an extended cast of co-hosts delve into the issues of the day and shine the spotlight on both the background motivations and policy solutions. Interviews with experts such as Bryan Kavanagh, Fred Harrison, Alanna Hartzok and the hard hitting Michael Hudson are featured weekly.

K2 told L&L: “Look out for an up-coming interview with Fred Foldvary where we traverse through geo-anarchism, geo-libertarianism and Austrian economics.”

The modern age has delivered podcast software: listeners in the northern hemisphere can sign onto the podcast feed and listen to the radio show at any time they like. To subscribe to Renegade Economists Radio copy the link below: then go to your iTunes, click on ‘advanced’ and then ’subscribe to this podcast’, paste in the link, click ‘ok’ and your iTunes will automatically download the week’s edition. podcast.3cr.org.au/podcast.

www.podcast.3cr.org.au/podcast.

Ecuador ecosystem rights

The people of Ecuador have voted themselves a new constitution that is the first in the world to recognise legally enforceable rights of nature, or ecosystem rights, according to the Community Environmental Legal Defense Fund. The Fund says the move changes the status of ecosystems from being regarded as property under the law to being recognised as rights-bearing entities.

The move is considered a controversial expansion of the field of animal rights. Commentators are divided on the question—is it goodbye to the commodification of nature, or a barrier to the community’s claim—against the forces of privatisation—to the value of the fruits of nature? Go to www.CELDF.org

Sovereign Wealth Funds

In the fast changing world of investment, the Santiago Principles have been agreed by the International Working Group of Sovereign Wealth Funds. The 24 principles set out a framework for the operation of swfs, which first appeared as a model institution for sharing resource windfalls with future generations. Increasingly, however, these state-owned investment vehicles are being established for less ‘worthy’ purposes, including off-book public accounting. The IWG-SWF acknowledges this, recognising “both the traditional background to the creation of swfs—the revenues received from mineral wealth—and the more recent approach of transferring ‘excess reserves’”. Go to www.IWG-SWF.org and www.SWFInstitute.org

Crystal-clear AK

Meanwhile, the Linaburg-Maduell Index is a new tool for rating sws ‘transparency’—one of the “guiding objectives” of the Santiago Principles. The Index was established to examine “concerns of unethical agendas”. It rates the Alaska Permanent Fund joint top, at 10 out of 10. Botswana’s Pula Fund finds itself bottom with 1 out of 10. Go to www.apfc.org

Quantum of BS

Columbia Pictures Corporation, the studio behind the new Bond Film Quantum of Solace, has taken the UK Valuation Office Agency to a Lands Tribunal. It’s appealing a £130,000 rates bill on an empty property. “But studios aren’t excused paying their taxes because they haven’t been using their property”—independent film producer Megan Campbell told L&L—“I’d recognise if my own company wasn’t using its production space we’d be preventing others from accessing the valuable public services provided to it. Rates bills are for paying for those services”.

EU carbon handout

The EU is to give away millions of euros worth of valuable tradeable pollution permits as part of this year’s second round of emission permit auctioning. ‘Allowances’ will be given away to polluters on the basis of ‘grandfather rights’. Some commentators are calling carbon “the new currency”, with author Oliver Tickell arguing its adoption as the new gold. Internationally, oil giant Exxon has confounded some reformers by coming out for carbon taxes—but not cap & trade. The UK’s Independent reports that Greenpeace believes “Exxon’s plan threatens to derail the prevailing international discussion”.

LandSLiberty
OBAMA: defining change

L&L commissioned ten top American economic reformers to address Barack Obama’s election call for ‘change for America’ and to offer ideas for a programme for President Obama’s White House. Here we set out some of the goals and policies that the new President could pursue in order to really change America, both in itself—profoundly and permanently right across its society—and in what it is to the world.

The president should explain to the people that the biggest subsidy in the economy is the land rent generated by government public works and services. To eliminate this subsidy that largely goes to the rich, the Federal government should enact a national levy on land value.

—FRED FOLDVARY addresses President Obama

first shift tax in the right direction

Change Federal tax policy in such ways as to down-tax labor in all its honest forms, and up-tax income from holding real property, especially land and natural resources. MG

Define once and for all the distinction between capital gains and land value gains on Federal tax. Tax the true capital less, and the true landrent gains more. JV

Refocus state and local taxation on the property tax, remembering that whatever the tax collector relinquishes is simply ‘freed’ to be paid to the banks as interest. MH

and go into tax a bit deeper

Reform our economic base to shift to a fairer economic system based on land value taxation and land value capture. Regard land and natural resources as a commonwealth: let communities benefit from their value and from providing access for businesses and individuals that use the land or resources. From this base, strong economies can emerge and continue to support communities for long term sustainability. AG

Our Federal tax system has been written and enforced as an agreement between rentiers and their partners in elective office. To demonstrate the ‘new way’ promised by the Obama administration, the Federal Tax Code must immediately take steps to end the farcical process of allowing buildings to be deducted...
from tax many times over their useful life. Strengthen the prohibition of land value deduction by insisting that corporate entities submit their appraisals: too many examples exist where a plot of land that sells for $1 million shows on the books at $100,000. JV

Land value is fictitious capital, an asset and store of value for individuals that has no real social capital behind it. We should tax unearned increments to land values (mislabeled 'capital gains' by some). By taxing land value and lowering its value we do not destroy any capital. On the contrary, we raise the owners' propensity to save and create real capital to restore the missing store of value. MG

Let's bring some sanity to the tax code and connect levies to expenditures. If you get the income tax right, you can lose the death tax and corporate tax. Just close all loopholes and instead exempt up to the first $50,000. After that, set a rate that will fund only the military budget and related expenditures like Homeland Security and Veterans Affairs. For incomes above $250,000, set a rate that will pay off the Federal budget in two terms. Once the debt is gone, that upper rate goes, too. And once the world gets peaceful, the lower rate goes down, too. JS

Levy a 20% tax on locally assessed land values, using the revenue to either reduce Federal taxes or remit it to the localities provided they reduce non-land taxes. SC

Replace the current individual income tax with a graduated tax that exempts all individuals who earn up to national median income. Above that income, a graduated rate would be applied that increases up to a maximum on very high marginal incomes. ED

Close the practice of offshore tax avoidance, and bring criminal cases against accounting firms abetting this practice. MH

Tax capital gains at the same rate as wages and profits, rather than at half the rate; and make these taxes be paid at the point of sale of real estate or other assets, not deferred ad infinitum if the gains simply are invested in yet more wealth. MH

Terminate the deferral of capital gains taxes, using all possible means. The devices are so numerous, and the possible means of termination so equally so, that the short recommendation is simply to make this a goal. MG

Revive the sales/assessment ratio studies that were published quinquennially, until recently, by the US Census of Governments. These served once, and can serve again, to help upgrade local tax assessment quality. By instructing the Census to emphasize land values more, especially unsubdivided acreage which they previously omitted, the studies can serve better than before. MG

Re-introduce the estate tax, along with (at the very least) the Clinton era's progressive-tax schedule. MH

End the deduction of interest on debts secured by owner-occupied dwellings, since the imputed income of said dwellings is not taxed, and their 'capital' gains are nearly untaxed. MG

Require a cost-benefit analysis of all publicly backed infrastructure spending so as to recapture all 'external economies' (such as windfall real estate price gains) as the first line of financing such investment. MH

We can and should levy what Netzer called 'a family of user charges' for pre-empting space on, over, and under city streets. We should charge people, cities, water districts, power companies, and others for withdrawing water from surface and underground sources, and harnessing power drops. MG

then sort out the banks

Follow the UK's initiative, toward socializing banks? Well, the US Constitution empowers Congress to "coin money [and] regulate the value thereof". So maybe to roll off the barrel we should be thinking in those terms. A big topic for another day—a long day? MG

Write down mortgage debts either to the ability of property owners to pay or to the present market value. Banks that have made loans to these borrowers must take responsibility for their decision that the owners could afford to pay. Even better, apply New York State's
existing Fraudulent Conveyance law, and simply annul loans that are beyond the ability of debtors to pay. MH

In the sphere of bad-debt banking, when a government agency takes over a bank or company that has negative net worth, the stockholders must be wiped out as their stock has lost all market value. Bondholders must stand in line behind the government in case of insolvency. MH

Prohibit banks from providing credit for land acquisition. This will remove a good measure of the 'speculative fuel' from land markets, requiring purchasers to accumulate savings as a down payment (and equity interest) on property. ED

Prohibit the banking and financial sector from loaning wealth using land value/ownership as collateral. The essence of the boom cycle is based on inflation of land values. The bust cycle need not inevitably follow. JV

Tax shifting would stabilize land and thus housing prices and prevent recurrence of land speculation that has recently fueled the land price bubble—and that ultimately contributed substantially to the subprime mortgage crisis. AH

As US government bonds mature, they should be refunded with fully amortizing bonds that repay both interest and principal to investors. The revenue required to service this debt should be budgeted for in the determination of tax rates and ranges of income to be taxed under the individual income tax. ED

accord fair dues—not welfare

Close the cavernous wealth and income gap: it's due not to hard work and smart investments at one end and laziness and stupidity at the other but to corporate welfare and tax loopholes. Acknowledge that society does have a surplus, that it is part of the commons, and that presently a few get to enclose the commons for themselves alone. Instead, use a portion of the revenue raised by bringing fees for privilege up to full market value to pay every voter a Citizen's Dividend. Going to everybody eliminates the stigma of welfare and being barely enough to get by it would not eliminate the incentive to work (by the poor, nobody cares if the rich don't work). JS

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build a better environment for business

Increase regulations for corporate accountability and responsibility. Regulate so corporate profits cannot be transferred out of a geographical region to another part of a corporation in an attempt to avoid bankruptcy or other financial problems. AG

Replace the existing business profits tax with a graduated tax on gross revenue, exempting the revenue of small business (for example the first $250,000 in revenue). Firms would no longer receive tax advantages as a result of their borrowing and would, therefore, borrow only on the basis of sound business reasons. ED

Lessen tax subsidies and loan guarantees that go into corporate welfare, and so help rebuild our nation's economic capacity and avoid politics from having to cater to the demands of corporations. AG

Tax corporate borrowing that is used merely to pay stock dividends or buy back one's own stock, at least at 50%. MH

Support Cooperative and Collective business models, providing incentives through tax subsidies and fairer tax and regulatory structures. AG

tackle carbon and pollution

Discard plans for a pollution permit trading system. Levy a tax on all sources of pollution. Pollution charges will bring in annual revenues. Levies focused on the pollution itself provide the most efficient way to reduce pollution. FF

Government militates against environmental assault with one hand and paves the way for such degradation with the other. That is, every single environmental problem people agitate to solve, government first worsens by subsidizing agri-biz, loggers, nuclear power, etc. Reform liability limits so that the burden of proof falls not on victims but on those who alter the natural world for profit. Require full responsibility of polluters and shift subsidies out of grey ways and taxes off green ways, and appropriate technology would flood the market, making the US a world leader again in a field that matters. JS

(continued on p. 15)
First come, first served?

Where to from here for the Treaty of Waitangi? asks Bob Keall

The Treaty of Waitangi established the formal terms of the relationship between New Zealand’s Maori people and the British colonists. The Treaty was signed on 6th February 1840 and since has been the basis for mediating competing claims for land and natural resources between ‘indigenous’ groups and the country’s European ‘settlers’. In September 2008 the standing Waitangi Tribunal closed its doors to new historic claims. In November the country’s general election brought in a new multi-party government with ministerial positions for the Maori Party. So, where now for Waitangi?

The Treaty of Waitangi is regarded as New Zealand’s founding document. Still, over the years since its signing, the Treaty has proven contentious. A permanent government commission—the Waitangi Tribunal—was established in 1975 to mediate competing claims over New Zealand’s land and resources, so far as they relate to breaches of promise made in the Treaty. The Tribunal’s work has been problematic. Many argue that the Treaty does not serve its function. Difficulties have arisen not least because the Treaty’s Maori and English language versions differ greatly in their meanings: significantly, the British Crown claimed (in English) ‘sovereignty’, while the Maori ceded (in Maori) ‘governance’. These different notions are key to any formulation of a future Waitangi.

In 1840, through the Treaty, the Maori engaged the British to govern or administer the country that they had occupied for a thousand years (see box). The Maori placed law and order foremost in their purposes: with the arrival of the settlers the country was descending into lawlessness. The Maori of 1840 were predominant among the islands’ population—with 125,000 individuals, to only 2,000 Europeans.

Unsurprisingly the Maori presumed to retain sovereignty. In the treaty to which they put their names they in fact specifically retained possession or ownership of the land. It was the Maori language version of the Treaty that was signed both by the Maori chiefs and (for the Crown) by William Hobson, Consul & Lieutenant Governor. That version (here translated by Hon. Sir Apirana Ngata) ceded to the British Crown “the shadow of the land but the soil remained”—which is interpreted as ‘governance’. But the official English translation of the Treaty from the time said something quite different, with the Maori to cede “all the rights and powers of sovereignty” over their territories. Critically it has been this English language version which has held sway among the authorities. What do its differences mean?

There are many inside and outside Parliament who understand the problem. What they cannot conceive, however, is how to address the implications of the problems that are inherent in the Treaty and its interpretation. These people attempt to settle with koha (the New Zealand Maori custom of gift-giving), and with token mollifications (apart from contractual settlements).

Other parties (who may also understand the issue), nevertheless persist in asserting the English translation. For ‘translation’—or mis-translation—is what the English-language Treaty is. To assert the English language document is wrong in British law: the document signed and understood—the Maori version—is the one that takes precedence. The motivation for any persistence in doing otherwise has to be questioned.

Then there are others again who certainly understand the differences in the Treaty versions, but see the significance only when land or resources are sold to overseas interests—for example Auckland’s publicly owned foreshore marinas. And many simply are unaware or uncaring of the differences, and legitimately ask: “So what? and where to from here? There is no way back!”

Generally the public is encouraged to think of the ownership of land and natural resources (and the gain therefrom) as unimportant. We are encouraged to think that far more important is the minutiae of infinite regulation that attempt to rectify the imbalance and disparity caused by, say, private rather than public ownership of things. We are encouraged to think that native concerns are misplaced. At the same time we vaunt the attraction of real estate investment, even to cult status.

The Treaty of Waitangi included an exclusive right of pre-emption providing for any alienation of land or resources to be to the Crown. Circumvention of that provision by confiscation or breach of contract, including non payment (being addressed by the Waitangi Tribunal), or private deals by both Maori and Pakeha (New Zealanders of European descent), is irrelevant to the status of the two parties to the Treaty. Their status remains unchanged and is the basis of the Maori claim to sovereignty. That sovereignty could not apply to authentically alienated land after the Governorship was ceded to the British.

With the passage of time, and with events and changes in population, the ‘administrators’ have become predominant and the majority; and the parties racially mixed, frequently more Pakeha than Maori. That the small part Maori child of mixed parents of this generation could somehow be more sovereignly tangata whenua (see box) than the equally indigenous non-Maori parent, is nearly as absurd as the conflict of interest within the child itself.

What incenses the descendants of the original tangata whenua—as well as others—is seeing ‘their’ natural resources privatised and sold off. Such things are seen as being not “in the full spirit and meaning” required of the deal to which their forefathers signed.

The Treaty of Waitangi was essentially a device for peaceful co-existence at that time: and for the British it provided a constitutional framework for the early colonial development of the country. But in a rapidly shrinking and changing world, the Treaty cannot possibly be considered a blueprint for all time. Nor, in justice, can any generation bind posterity irrevocably. Yet the Treaty of Waitangi, in spite of its doubtfully understood terms, is defended as immutable.

There seem to be three options now for the future of the Treaty—ratification, abrogation or renegotiation. The changes of time, population and circumstances make ratification impossible even if desirable. Recent affirmation and the acknowledgement of current Tribunal claims preclude abrogation now as an option for Pakeha: yet at the same time failure by Maori to recognise the laws of the land effectively repudiates the Treaty and releases the other party. So the only solution for the Treaty of Waitangi seems to be its renegotiation.

There is a unique way to satisfy the ongoing interest of the tangata whenua, both old and new. That way is the renegotiation of the Treaty
The Maori and the populating of New Zealand

New Zealand is one of the world's most recently populated land masses. The Maori are the 'indigenous' Polynesian people of Aotearoa (New Zealand). It is thought people arrived on the islands—a final destination for a saga of island-hopping sea voyages—in several landings between about 800 and 1300. The settlers spread throughout the islands and developed their own distinct identity and culture.

The Maori use the term tangata whenua to describe themselves. The term means literally 'the people of the land'. By naming themselves in this way they can emphasise their relationship with a particular locality or with all New Zealand.

The islands seem to have come to the attention of Europeans first in 1645. But it was only after Captain Cook's first voyage of 1768-71—and his mapping of the coastline—that trading with the islands began in earnest. European settlement, from the early 19th century, was led by Christian missionaries.

But soon an increasingly lawless condition developed in the country. The Treaty of Waitangi and formal British colonial dominion sought to regularise the situation. The Treaty resulted in an influx of settlers, particularly from Britain. However the particulars of settlement and the acquisition of Maori land have always remained controversial.

enlightened by a full sense of environmental, economic and social justice. There must be two conditions to any renegotiation: that private enterprise must not include private ownership of the elements of life; and that free trade in land and resources must not include the freedom to 'invest' in owning others' natural resources that are rightfully their source of revenue.

All de facto present-day tenures of lands and resources must be secured by the obligation to periodically compensate the whole of New Zealand for the privilege received. So the unique solution to the problem of renegotiating the Treaty of Waitangi is to collect a market rental for all natural resources on behalf of all New Zealanders of all ethnicities—so we all are tangata whenua. Ownership in common now has to be recognised, and joint administration arranged accordingly, and the public collection of resource rentals for revenue does exactly that.

Such a renegotiation would be entirely consistent with Maori lore. It would also be consistent with British law as expressed in the original meaning of 'fee simple'—that is, a holding 'in fief' or on trust from the Crown (on behalf of the whole community) and on payment of the required fee or rent.

(That original and natural law was forgotten when the obligation was replaced by taxes on the serfs, and the baronial privilege was fragmented and sold as freehold title: yet successful governance and well established sovereignty are contingent on it.)

On the rediscovery of that law, and the reversal of that tort, depends the future of the Treaty of Waitangi, and the resolution of a current impasse. L&L

Bob Keall is director of the Auckland-based Resource Rentals for Revenue Association.
A penny for your thoughts?

Intellectual property has become a contentious issue. What exactly is it for? Indeed who is it for? Dr Lars Bækgaard considers the issue of owning knowledge in a digital age in which ideas can be shared at the virtually cost-free click of a mouse. The justification for intellectual property

The development of the intellectual property agenda is pursued by governments striving to encourage innovation by giving a time-limited first-to-market protection guarantee for owners. This government-sponsored monopoly is embraced in the name of promoting cultural and economic progress and bringing general benefit to society as a whole.
INTELLECTUAL PROPERTY is the conceptual and legal framework protecting what has been termed 'the creations of the mind'. For some it can become a source of wealth that goes beyond our wildest dreams. Is it fair to use legal systems to reward idea creation with millions of dollars? What is an acceptable level of economical reward for an idea? And who should be able to enjoy that reward—the creator themselves might be one thing but should rights be extended to partners and heirs, or protected from death's natural limits inside enduring 'owners' such as trusts and corporations?

IP represents a major area of human endeavour over which property rights are now exercised. A country's property laws are one of its fundamental institutions. How a society recognises rights of property in large part defines it. As with real property and chattels, property in 'creations of the mind' can mean many things: the right to control the use of the property; the right to any benefit from the property; the right to consume, sell, rent, mortgage, exchange, or transfer the property; and the right to exclude others from the property. Intellectual property rights come in many guises.

Intellectual property may attach to music, literature, artistic works and inventions; and commercial symbols, names, images and designs. IP can be protected by means of a combination of legal forms, like copyrights, patents, trademarks, registered designs and geographical indication [on which last, see 'Uncorking the economics of terror', L&L autumn 2008: Ed].

Copyrights and patents were first devised many years ago to protect authors' and inventors' rights to payment for their efforts. In a world where more and more products are digitalised it seems necessary to raise the question—Are copyrights and patents the right tools in a digital world, where the cost of producing one more copy of a product—like music, software or even digital books—is very low indeed and tends to zero?

Older technologies like tape recorders could be and were used to produce illicit copies of copyright material, but they were usually of significantly lower quality than the originals. The 'conflict' between composers, musicians and their publishers, and music lovers, really took off only with the innovation of technologies that support digitalisation and easy distribution of high quality music. With digital music there are no significant differences between 'originals' and 'copies'. With the internet, opportunities for 'domestic' collusion in breach of copyright on a commercial scale became universally available.

In 2000 the rock band Metallica filed a lawsuit in the US against the online music 'sharing' service Napster, alleging copyright infringement. The band had discovered that a demo of 'I Disappear', one of its new songs, was being circulated and played on radio stations before its official release. It also discovered all its studio material was available through Napster, in breach of copyright. The music 'sharing' was delivering no payment—royalties—to the creators of the music. Still a large number of fans were angered by the band's action. They destroyed their Metallica CDs in a symbolic protest. In 2001 Napster settled the suit after being shut down by the courts in another case.

Patents are used by the software industry to protect ideas that have been used in their products. The code itself—the instructions that control computers and other devices—is protected by copyright. Patents can be obtained for special innovative methods for, say, retrieval of data from a hard disk, or innovative methods for finding patterns in data. The industry uses patents and copyrights to protect its assets and income flows. A software development company can use a combination of copyrights and patents to ensure a high level of protection for its creations. The fact that Business 'A' develops word processing software does not prohibit Business 'B' from developing word processing software too, provided it writes its own code, and does not violate A's patents. But there is a question whether the increasing number and the nature of patents is harming competition.

In 1999 Amazon.com successfully patented its '1-Click' system of on-line retail purchasing. Traditionally, on-line retailers have required their customers to use a 'shopping basket' system. But industry studies revealed that some 60-65% of online shopping baskets were abandoned before being checked-out—consumer frustration with the purchase process seemingly being to blame. A Stanford University research team described Amazon's patent as "an online system allowing customers to enter their credit card number and address information just once so that on follow up visits to the website all it takes is a single mouse-click to make a purchase." By adopting a 1-Click method for online shopping, and permitting their customers to avoid shopping carts entirely, Amazon made the purchasing process simpler and faster, so more transactions would be completed. But Amazon's successful patent application prevents other on-line retailers from adopting the same straightforward process—unless licensed by Amazon. Many regard the grant of patent to be bizarre—although it has stood for ten years.

Amazon's commercial actions appear to have unwittingly fuelled the movement against software patents. Paul Barton-Davis, one of the company's founding programmers, called Amazon's 1-Click patent "a cynical and ungrateful use of an extremely obvious
Fresh thinking

Technology. Jeff Bezos, Amazon’s CEO, is himself critical of IP law. He proposes the lifespan of software patents should be shortened from 17 years to between three and five: “At internet speed” he says, “you don’t need 17 years”.

Many argue Amazon’s patent has slopped the playing field steeply against its competition. Originally only a bookseller, the company has taken the opportunity of the intervening years since 1999 to develop itself into the web’s leading department store. So is 1-click the clearest example of ‘patent stupidity’?

Developers of commercial material such as software code also use copyrights to protect their commercial interests. People and businesses that buy software do not buy the code. They buy a right only to ‘execute’ the software—a ‘use’ right in other words. Consequently purchasers have no right to modify that software for their own use (beyond the manufacturer’s intended scope for personalisation), or to improve the software by correcting errors or adding new functions.

They have to use the software as it is. In order to improve it purchasers would need legal rights to modify it. In most cases that is not possible, or not financially viable.

‘Open’ software is a developing feature in the information technology field. The term implies that the code is openly accessible for more than a restricted group of developers. The computing operating system Linux for instance was created—and is kept updated—by an open global community of internet-linked developers that have access to the code and legal rights to modify it. Many core office and home applications have also been created and are available on an ‘open’ basis. Firefox is the world’s second-most popular web browser in use worldwide—after Microsoft’s Internet Explorer (about which IP issues have raged to the highest courts)—and is open source.

The open software movement arose as a response to the closed world of traditional software development, where developers do what they can to keep all software rights to themselves. That is not to say that copyright on open software like Firefox does not exist, or that rights are not protected—it is simply that such copyrights (and the intellectual property they protect) are held in public trust, and defended for the public benefit. In Firefox’s case this is achieved through the Mozilla Corporation and Mozilla Foundation—a not-for-profit organisation that exists to lead and support the Corporation’s open source projects.

So it might be said that a battle has been joined in the open software movement: between the virtual Enclosers on the one hand, and the virtual Diggers on the other; with the battleground being rights to the functional language of our digital life—of what some argue is the ‘virtual commons’.

The term ‘commons’ originated as a reference to an unenclosed area of the earth over which a community could exercise certain traditional practical rights: for instance, a right to pasture cattle or other animals; a right to fish; a right to cut firewood or take sods of turf for fuel; a right to take sand and gravel; or a right to take sufficient timber for the construction of the commoner’s house.

Recently the term ‘commons’ has been used to denote shared access to and use of resources in a broader sense than the literal one of the unenclosed natural world. The Creative Commons, for instance [see lower box p.97], is an initiative whose very idea can be seen as a systematic way in which copyrights can be softened by their owners, in order to allow others to modify works according to specific and author-prescribed rules. For example, a composer of a piece of music may let others create new compositions around it, whilst keeping the copyright to the original piece.

Open software can be considered as a sort of creative commons of software code where large communities of developers can contribute to software development.

Intellectual property is in its very nature different from physical property. It is associated with what are known as ‘non-rivalrous’ goods. Physical property is located in physical space and can be taken away unlawfully from that place—stolen. If two people exchange between them a piece of bread and a piece of fruit, each of them is left with one eatable item: they are exchanging ‘rivalrous’ goods—those whose consumption by one prevents simultaneous consumption by another. On the other hand, if two people exchange ideas, they are both left with an extra idea. In that sense an idea cannot be stolen—taken away from a place: it only can be shared—that is, copied or multiplied.

The growth of open software, the concept of creative commons, and the pronouncements of numerous consumer organisations around the globe strongly indicate that there is a widespread dissatisfaction with the current restrictive use of copyrights and patents. The ease with which high quality copies can be made and distributed in the digital world has stoked this dissatisfaction.

Is it possible to reform IP law provisions to ensure fair rewards and compensation to creators, and at the same time support a greater degree of knowledge sharing and learning than at present? Creators should be rewarded for their efforts and investment—although a huge number of open software developers work many hours without any other rewards than the creative work itself—and an increasing number of businesses let their customers and users participate in innovation of new products and services with little or no compensation.

Is there a limit to the types of innovations that can be patented? Software patents are process patents in the sense that they protect certain ways of doing calculations or other processes in software. Should organisational processes be patentable? Should the processes of nature be patentable?

The biotech industry uses gene and other patents to create medicine that is too expensive for the poor people who need it most. Ironically, many of the gene patents are based on natural resources sourced in the very countries in the South with the poor people who cannot afford the medicine.

To what degree should knowledge and ideas be treated as shared resources for learning and innovation that can be used by anyone? How can we keep all knowledge related to nature and its genes and processes as a shared resource for all people? These questions are profound, and in an age of great change we need to keep asking them. We have inherited our concept of IP from a previous era. If we ensure that our approach to reform confirms all people’s equal right to the value of their effort, and ensures all people’s equal right to the economic value of nature and its resources, we may be able to find the answers we need to these questions for our own age.

Dr Lars Boekgaard is a researcher and lecturer at the Aarhus School of Business, Denmark. He is a former leader of the Danish Justice Party.

A moral principle of IP for the digital age

Externalisation of the cost of production by free sharing is justifiable only by gift. Otherwise it is immoral and is theft. The moral principle behind the protection of intellectual property is therefore based on the idea that a person’s idea is not another’s just to take. Discuss.
OBAMA: defining change

Foster climate change economic opportunities. Climate change needs to have an economy capable of resolving the conflict between long term sustainability and short term financial interests. Creating laws that demand carbon reduction from corporations and nations will foster the emergence of global carbon credit financial markets—supporting assistance to poor farmers in developing countries who can participate in tree planting or vegetation regeneration projects and earn revenues that can, in turn, catalyze economic development within their communities, increase rural incomes, enhance land tenure security, and stimulate natural resource conservation. AG

initiate a new ethical foreign policy

Come to an understanding that to resolve the Israeli-Palestinian conflict we Americans need greater awareness that resources and rents lie at the heart of this dispute. What has been called an ethnic or religious conflict is, at heart, a land conflict. JV

Work towards a confederation of Israel and Palestine. The Israeli settlers in the West Bank would be allowed to stay if they paid a land rent to the Palestinian government. Palestinians would then be compensated for not being able to use that land, while the Israelis would have to bear a cost for settling in what would be recognized as Palestinian land. All the landowners of Israel and Palestine would also pay rent to the Confederation to pay for its expenses. FF

In continuing disengagement from Iraq, as a gift to those who have suffered decades of poverty, violence and corruption, the US government could urge a Citizen's Dividend funded from the value of mineral deposits, based on the Alaska model [see 'Iraq, violence and resources', L&L 1222, Ed.]. JV

Immediately end restrictions on trade and travel for Cuba. FF

Promote a global agreement to levy uniform taxes on pollution, enforced by the World Trade Organization. Developing countries such as China and India should be encouraged to enact a 'green tax shift,' replacing taxes on incomes and sales with taxes on pollution and land value, reducing pollution while promoting growth. FF

make money work for us all

Authorize the US Treasury to print $1,000 bills and give each permanent US resident ten of them. The cash infusion would quickly revive the economy without adding to the debt. There should then be no more bail-outs of banking, insurance, brokerage, and mortgages. People use the cash to buy goods, repay loans, and make investments, all of which would revive the economy. The inflation would reduce the debt burdens, and although lenders would be paid back with cheaper dollars, that would be much better than not getting paid at all. FF

Support complementary and alternative currencies, giving them a legal standing. This will help sustain the co-operative trade system and allow these currencies to become part of competitive global trade. AG

help us save for our future

Bail out the government Pension Benefit Guarantee Corp's $25 billion deficit. This year, underfunded corporate pension plans are supposed to 'catch up' to full funding so as to protect the PBGC, in accordance with a law passed by Congress two years ago. If underfunded plans don't meet the scheduled 92% coverage for this year, they have to bring their set-asides fully up to the 100% funding level. The stock market plunge has dashed their hopes to do this. The result will be to force many industrial companies into a financial bind. MH

respond to subsidies

Review Federal subsidy programs and act to repeal, reduce or redirect, using criteria of fairness, current needs and environmental impact. AH

Phase out all Federal subsidies, both explicit and implicit, including agricultural subsidies. Establish a firm law that prohibits future loan guarantees. Completely privatize Fannie Mae and Freddie Mac, with no more governmental guarantees. FF

get localization right

Review the use of environmental 'green' taxes by states and localities; develop best practice criteria; and offer assistance in the form of grants, loans and professional consultation to states and localities wanting to adopt green taxes. AH

Support community-based economic systems, fostering local economic diversity and community banks that pay attention to the needs of local families, businesses, and farmers. AG

let facts be known

Make publicly available online all records and data on land and natural resource ownership and values. Restore the Federal land value registry. AH

demand better thinking

The separation of economics and philosophy in our universities and institutions needs to be overcome. Manifold conflicts of interest in the economics profession and the institutions in which economists participate need to be unwound. Economics needs to reintegrate itself with its own history: its mathematization in the 20th century has been a public policy disaster. FP

A vigorous philosophy of socio-economic human rights is an ideal medium for integrating the ethical and efficiency components of a new economics that genuinely advances the common social good. How societies give substance and make investments, all of which would revive the economy. The inflation would reduce the debt burdens, and although lenders would be paid back with cheaper dollars, that would be much better than not getting paid at all. FF

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Beyond recession: what changes for the future?

The recession shows the need for profound social and economic reform, says Mike Danson, and brings opportunity for that reform to be welcomed.

We are facing a period of recession where the poor and dispossessed will suffer more than most and many of those on the margins of poverty will slip into deprivation and exclusion. The last quarter of a century has seen deepening economic and social divides in the UK, exacerbated by an increasingly unfair tax system, during a period of unprecedented and unsustainable growth. But the recession brings opportunities for profound social and economic reform.

There are likely to be both positive and negative impacts and features of this recession for common people and obviously on balance the latter will dominate. Recessions are primarily about negatives: higher unemployment and worklessness, enforced premature retirement, lower levels of well-being, falling real wages cumulating in more poverty, deprivation and ill-health. Uncertainty and risk rise for individuals and communities, exacerbating these changes. For companies and households, costs of capital and loans are rising—despite cuts in interest rates, undermining the willingness and capacity of enterprises and people to make decisions, to innovate and to progress. Reform must temper these negative tendencies. Yet during a slowdown, economic and social change also slow down; recession and redundancy do not build confidence and creativity—overwhelmingly they destroy.

But a recession never endures: it should therefore be an opportunity for looking again at the need for regulation and planning, for reflecting on the systems and structures that led us down here. This should be a time for arguing what must be done to challenge and reform the infrastructure and superstructure of society, to ensure the eventual upturn does not reward those who created the recession and who continue to create the conditions for division and exclusion. We need genuine and irreversible political reform, not quick fixes to promote party and sectional interests. Land and tax reform must be a part of that programme.

Some of the more favourable implications of the next few years will be felt in housing where the falling house prices and lower interest rates should make private sector—especially owner occupied—accommodation more affordable for those able to keep on middle incomes. As Housing Benefits cover a significant proportion of the costs of housing for many on low incomes, where social housing is also a more popular form of tenure, there will be limited benefits from these changes. Rationing of mortgages, over-reaction to the worst excesses of the sub-prime fiasco and other irresponsible developments in lending practices, and greater risks and uncertainties in the market over future job and income prospects will all mute the benefits of increased affordability.

To counter the slowdown in private housing construction, there will probably be an acceleration in social housing programmes. This will partly redress the domination of the pursuit of owner occupation and so give the opportunity to re-evaluate the house as home, rather than speculative investment. Lower levels of production, travel and consumer activity should reduce demands for energy and so carbon emissions and other pollutants. These decreases may generate inefficiencies in production, however, with the threat of diminished efforts to seek energy-saving innovations, prolonging poor practices, but also postponing moves for a large scale nuclear power plant programme. Calls to bring forward motorway and railway infrastructure projects to create and preserve jobs, incomes and enterprises, can have both positive and negative impacts for the economy, society and environment. Reform must address how social progress is often accompanied by adverse consequences for many, acknowledging the implications of the tax system.

Generally, speculative planning developments and threats to heritage, open spaces and the built environment should all slacken during a recession. These various characteristics of a slowdown all give the time to revisit and reassess how the country has been evolving, providing the opportunity to change the focus. There continues to be a need to look at what those who are discriminated against, marginalised or excluded, require, to live happy and fulfilling lives. But, counter to this, an unintended consequence of the recession is a relaxation of the emphasises on such social objectives: redundancies and higher unemployment reduce the pressure to re-engage with those suffering from problems of employability. We must challenge that tendency.

Across the world there are renewed attempts to adopt an alternative agenda and we can learn from these and adapt to suit local and regional needs. Some of these have their counterparts here already. Micro-credit schemes and other means to maximise local...
impacts of local spending and saving are found in credit unions, LET schemes and farmers’ markets. The long-term advantages of mutualism, embodied in trades unions, cooperatives, building societies and much of the banking, insurance and finance sector, were undermined by successive Westminster governments; they need to be reinvigorated and offered greater protection.

The regeneration of parts of the Highlands and Islands of Scotland through community buy-outs of their own land, following the land reform acts, demonstrates what ordinary people can do when the shackles of landlordism are removed. Repopulation, new companies and housing have all been achieved through their own collective enterprise, against stagnation and worse under private ownership. That this was only possible under devolution and that Scotland is faring better in this recession than England confirms that democratic changes are necessary and successful components of reform. The confidence and growing self-esteem that these developments have encouraged locally and nationally are critical to further progress. As important, policies and strategies to create a more equal and equitable society have to be introduced at all levels if evolution is to be positive and worthwhile.

Fiscal reform is an essential part of this so that the excesses of the past quarter century are not repeated. In that regard, there must be a move to truly progressive taxation so that the rich of their incomes in tax— with unearned income the key target.

The most successful, sustainable and cohesive societies have weathered their own recessions and crises in recent decades by pursuing just and equitable paths. This recession makes the implementation of such reforms essential and long overdue. Now is the time for the arguments to be made even more strongly so that we progress through the coming months and years with hope for a better and sustainable future for all, rather than for the few. L&L

Professor Mike Danson is a specialist in regional economics and policy development and is Associate Dean of Research & Commercialisation at the Business School, University of the West of Scotland.
African states of failure

Fresh back from a filming tour of southern Africa, Fred Harrison warns there might be trouble ahead for the continent.

FROM THE ground, Mozambique looks like most African states. Despite the dollar-a-day existence that blights the lives of most people, life in the streets appears cheerful as the population goes about its business. But dig deeper, and we can see the fractures in the institutions that make up society. In time, those cleavages will deepen, fragmenting communities and causing social breakdown.

The US intelligence community is now warning that many African states may break down and fall into the category of 'failed state'. Already, in the Horn of Africa, we see states that harbour pirates that now disrupt trade on the high seas. But while these episodes make headlines around the world, few notice the stresses on the ground that signal the institutional causes of crises in the making.

Mozambique is now enjoying peace, after a civil war that claimed the lives of a million people. But it cannot look forward to peace and prosperity, because the foundations on which the state is built will wreck the lives of future generations.

The government of this southern African country, on the coast to the east of Zimbabwe and South Africa, has sought to remove the risk that its population will ever again fight over its territory. The land has been nationalised—and is there for the asking by any citizen who can show a need for it. But the incompleteness of this policy identifies the flaw in the system, a flaw that blights the lives of most people in Africa today.

Western academics have coined a concept that is supposed to illuminate why so many states in Africa fail to function. Resource-rich territories like the Congo are said to suffer from a syndrome called the 'resource curse': the rents that flow from nature's resources are disputed, fought over by warlords in violent conflicts that are the substitute for the political process.

The notion that Africa is cursed by its rich endowment from nature, tells us as much about the poverty of the social sciences in the West as about the failures of post-colonial governance in Africa. But the debate now conducted in the textbooks at least helps us to isolate the problem that needs to be untangled.

In the colonial era, especially from the late 19th century, Africa was plundered by European powers for her resource rents. Following independence, few countries adopted the formula for reclaiming those rents for the benefit of the people of Africa. Botswana is an exception, as I explain in The Silver Bullet.

Zimbabwe, of course, is the clearest case of the failures of governance. That state has completely collapsed for no better reason than that its politicians could not figure out a way to maintain food and tobacco production while ensuring a fair distribution of the country's rents in a way that would accelerate social development.

So when I visited Maputo, I wanted to discover how Mozambique was dealing with the distribution of its rental income. If, under the constitution, the land belonged to all citizens, surely that necessarily meant that the revenue from the land was also the income of the population?

Not so. The government's fiscal policy faithfully reflects western doctrines. The burden of taxation falls on the incomes and consumption of the population. To acquire land, citizens and foreigners are entitled to 99-year leases that give them security of tenure. But they do not pay the rents of their holdings into the public purse. This means a grievous injustice is routinely inflicted on the majority of Mozambique's citizens.

Working people are penalised for earning their living, paying taxes to fund investment in infrastructure that raises the value of the assets of leaseholders.

Leaseholders with the most valuable locations or most fertile fields pocket the rents that they do not have to share.

This nexus is the root of evil in Africa. It is the ultimate source of the dollar-a-day poverty.
into which most of the continent is locked.

Africa’s leaders have no inkling that it is their own tax and resource policy decisions that are now the source of the suffering of their people. It is not the debt burden, not the absence of fair trade, not the avarice of multi-national corporations, that is to blame for the abject poverty that drives people to commit barbarous acts of violence against their fellow beings. It is the failure to understand the economics of public finance, which is the ultimate cause of hunger and homelessness, which then triggers the violence and the fragmentation of nation-states.

So Mozambique’s nationalisation of the land is a meaningless gesture. Those million dead souls—crucified on the altar of the post-colonial settlement—died in vain. The land might just as well remain in private ownership—a legacy of the Portuguese colonists who displaced the original tribal occupants—because the resource rents continue to be privatised, driving a wedge between the New Haves and the Have Nots.

I toured the beautiful coastline north of Maputo to interview the white businessmen from South Africa who were constructing beachfront chalets to serve the tourist trade. With government permission, they acquired their leases from Mozambicans. Legally, the land was not sold. But the value of the land was paid ‘under the table’ by the investors, who were happy to acquire their tracts on 99-year leases. As the tourist industry flourishes, the location value of their properties will rocket—and the rents will go into their pockets.

This is no different from what is now happening up the coast in Kenya, where land is in private ownership. The powder-white beaches are magnets to a new class of investors who know that the future value of the sand on the edge of the Indian Ocean will be greater than the profits to be made from manufacturing goods for sale to the impoverished population.

Failing states begin with a failure of stewardship of the community’s interest.

Governments continue to treat their land as if it was worthless. They are literally giving it away. The mind-boggling case of the Madagascan land give-away is particularly dramatic. The government has apparently given a property half the size of Belgium to a subsidiary of PT Daewoo Logistics Indonesia, on a 99-year lease.

Daewoo says that it expects to pay no rent for its 13 million hectares. “We want to plant corn there to ensure our food security. Food can be a weapon in this world,” a Daewoo executive is quoted as saying by the Financial Times (20th November 2008).

Fine for Daewoo. The rest of us cannot expect to escape the consequences of the injustices that flow from this land and tax regime. By failing to reserve resource rents for Africans, we are likely to see this continent as the site of a super-power contest once the global economy recovers from the recession.

• China has already staked her claim to the African minerals it needs to keep her factories working. The hunger for those resources will deepen as China industrialises her rural hinterlands over the next 20 years.
• The US, weakened by the financial catastrophe that has destroyed the independence of the Wall Street banks, will be obliged to contest China’s inroads into Africa.
• President Barack Obama has a personal interest in Africa, given his family antecedents in Kenya. So he will display a humanitarian as well as strategic interest in Africa’s fate. But this may lead to a struggle over the continent’s future by the two great powers that could conceivably flare up into a violent confrontation. And that contest will be about nothing other than the ownership of Africa’s resource rents.

There is one way only to diffuse the home-grown and global crises related to Africa. The continent’s leaders need to formally declare that the rents are reserved for their people. Others may then be free to invest in Africa—for a fair return on the resources that they take to Africa. This is the formula that secures fair trade—because it would be free trade between equals. And Africa would have no difficulty paying off the neo-colonial debts she has accumulated—releasing her from dependency on others. Instead of putting the fingers of many of her children around the triggers of guns, Africa’s leaders would bequeath a model for peace and prosperity. This is the post-colonial legacy that the children deserve.

Western governments, instead of bailing out failing governments—many of them corrupted by the privatisation of their public’s rents—should tie the support that they give to developing countries to a fiscal reform that would deliver prosperity.

This is the agenda that should be actively promoted by people around the world who care about Africa’s future, if they really want to make poverty history.

Fred Harrison is co-founder of The Renegade Economist YouTube channel, director of the forecasting consultancy Economic Indicator Services, and Research Director of the London-based Land Research Trust. The second edition of The Silver Bullet, mentioned in the article, will be published by the L&L in the spring.

Kenya is one of the targets for the 21st century land grab by oil-rich sheikhdoms that want to secure their food supplies. Saudi Arabia and the United Arab Emirates are negotiating leases of large tracts of farmland in countries like Sudan and Senegal to grow food—their response to the recent global food shortages and price rises.

But African countries are getting a poor deal in return. The neo-colonial dependency culture is leading them to yield valuable land for trivial rewards. Qatar’s plan to lease 40,000 hectares in Kenya illustrates the unequal exchange. Qatar’s offer to build a £2.4 billion port on the tourist island of Lamu, off the northeast coast, is presented as payment for access to fertile government-owned land. But Qatar needs that port to export its produce back home. A Kenyan government spokesman is reported in the Guardian as stating: “Nothing comes for free. If you want people to invest in your country then you have to make concessions” (3rd December 2008).

Jacques Diouf, Director General of the United Nation’s Food and Agricultural Organisation, has warned that such deals risk creating a “neo-colonial agricultural system.”
The Greenspan years

Reflecting on Michael Hudson's judgment of Alan Greenspan as the global elite's economic mythmaker, Ed Dodson concludes his own three-part assessment of the Greenspan legacy

IN HIS final year in the Presidency, Bill Clinton delivered the annual State of the Union message to the nation. Among the achievements of his administration that he highlighted was the elimination of the annual budget deficit and a small reduction in the total national debt. "Now, if we stay on this path, we can pay down the debt entirely in just 13 years and make America debt-free for the first time since Andrew Jackson was President in 1835," he declared. Given that the US government's accounting practices were—and always have been—divorced from what any auditor would demand of a business, the actual circumstance of the time is impossible to discern. In September of 2000, David Walker, the Comptroller of the United States cautioned the nation that more remained to be done than had been accomplished: "From a fiscal perspective, we aren't out of the woods yet. The future surpluses that are the current subject of intense debate are based on projections. Just three years ago we had projected deficits for as far as the eye could see. In addition, we know that we face a demographic tidal wave that can swamp our future fiscal picture and return us to the days of growing deficits if we are not prudent about our actions today. This demographic tidal wave is not a projection, it is a fact because the individuals who comprise it are already living, and many are rapidly approaching their normal retirement eligibility dates."

In a speech delivered in December 2000 at the Federal Reserve Bank in Philadelphia, Edward M Gramlich, a member of the Fed's board of governors, highlighted the fact that "conventional home purchase mortgage lending to low-income borrowers increased nearly 75 percent between 1993 and 1998," and that "conventional mortgages to African-Americans increased 95 percent over this period, and Hispanics 78 percent." It seems rather ironic today to read his next statement: "Much of this increased lending can be attributed to the development of the subprime mortgage market. The Department of Housing and Urban Development (HUD) reports that the number of subprime home equity loans has gone from 80,000 in 1993 to 790,000 in 1998, an 880 percent increase. This rapid growth has given access to credit to consumers who have difficulty in meeting the underwriting criteria of 'prime' lenders because of blemished credit histories or other aspects of their profile. This access gives people from all walks of life a shot at the American dream—owning a home and getting capital gains."

Despite these gains, there was disturbing information coming to the surface. An industry long plagued by fraud and theft was experiencing these problems at a previously unimaginable level of sophistication. The players were rightfully described as predators and their practices described as predatory lending. Neither regulation nor law enforcement have significantly mitigated, let alone eliminated, the problems. Investigative hearings held in 1997 by the HUD resulted in a detailed report to the US Congress, but no legislation. Financial literacy programs developed by the Fed, the FDIC (Federal Deposit Insurance Corporation) and other organisations are reaching only a small percentage of those most susceptible to the marketing pressures applied by agents of the predatory lending companies. Subprime mortgage originations reached $200 billion in 1996. The Fed's own analysis of data gathered under the Home Mortgage Disclosure Act (HMDA) confirmed that from 1993 to 2000 the number of subprime purchase money mortgage loans increased from around 16,000 to over 306,000. By 2000 the number of subprime second mortgage loans exceeded an annual volume of 658,000. In a speech delivered by Alan Greenspan in March that year, the Fed chairman acknowledged the existence of "abusive lending practices that target specific neighbourhoods or vulnerable segments of the population and can result in unaffordable payments, equity stripping, and foreclosure."

A report issued in November of 1999 by the General Accounting Office (GAO) took the Fed to task for its failure to examine the lending practices of subprime lending companies owned by the nation's banks. The Fed has been grappling with this aspect of their regulatory responsibilities ever since. By 2002 subprime mortgage originations represented roughly 10 percent of the total dollar volume of residential mortgage loans closed. Reported mortgage loan fraud, already out of control, skyrocketed. As a result of litigation, two lenders—Household Finance and Ameriquest Mortgage Company—agreed to $800 million in restitution to consumers. Still, US homeowners continued to refinance existing mortgage debt and draw equity out of their properties. Some 8 million mortgage loans were refinanced in 2002, 12 million in 2003. This represented nearly one out of every six homeowners.

The stresses on the US economy and on many American people were intensifying. Every year the number of foreclosures and bankruptcies hit historic highs.

In 2005, Ravi Batra made a case for Alan Greenspan's prominent role in the unravelling of the US economy in his book, Greenspan's Fraud. Batra argued that the Fed under Greenspan oversaw the demise of a large portion of the middle class. Batra traces Greenspan's complicity back to the early 1980s, when he supported increases in the payroll tax to help reduce the Reagan budget deficit. This was the first step in eliminating the progressivity of the Federal income tax. He had summarised his views on Greenspan in an earlier interview:

"Greenspan's fault was his poor understanding of economics. He thought that the productivity jump resulting from the adoption of information technology generated high profits, which lubricate stock markets. But he forgot that when wages fail to keep pace with productivity, then the economy needs explosive debt growth to maintain profit growth. But debt growth cannot increase forever; so a stock market crash was inevitable. That is why all speculative bubbles pop in the end."

And, in the end we are left with our own conclusion whether Michael Hudson's assessment is more accurate than that of Ravi Batra. Has Greenspan been an active and knowing agent of the privileged elite? Or, is he basically an economist who possesses an extremely limited understanding of how markets function and how fiscal and monetary policies affect markets? Perhaps the best answer is that he is a good deal of both. In any event, we are once again at the end of the 18-year land market cycle, poised for another collapse while our government officials and central bankers do what they can to place the blame elsewhere. L&L

Edward J Dodson is Director of the US-based School of Cooperative Individualism and author of Discovery of First Principles. Parts i & ii of 'The Greenspan years' were published in L&L 1221 & 1222. 'Mr Greenspan's myth' by Professor Michael Hudson, to which 'The Greenspan years' is a response, was published in L&L 1220.
His own worst enemy

Under the heading "Our own worst enemy", Geoffrey Lee ([L&L, autumn 2008]) reviews a long article by Professor Michael Hudson called 'Henry George's Political Critics' in *AJS* January 2008.

The title in effect summarises the view given by Prof. Hudson that Henry George, both in the tactics he employed and in the legacy he left to later followers, was "Our own worst enemy". George, politically, was a liability to his own movement! It is a pity that nothing Geoffrey Lee writes dispels this insulting and patronising insinuation. In fact, barring one small difference, what Geoffrey Lee does is simply to agree with Prof. Hudson.

Let us take just three of the criticisms: George's Support of Capital Against Labour, George's Ricardian Emphasis on Rural Land, and George's Rejection of an Academic Platform to Elaborate Rent Theory and Taxation. These headings must strike anyone familiar with George's life and teaching as quite bizarre. More bizarrely, Prof. Hudson quite evidently supports these criticisms. They are his criticisms.

He accuses George at Berkeley in 1877, for example, of displaying a "belligerent attitude"; he writes that he "indulged in a tirade against economists" and that he claimed that economists had made no "substantial improvements" since Ricardo. Anyone interested in what actually happened may read George's address and anyone interested in expert commentary on this whole incident may check Prof. Hudson's assessment against that of George's biographer Charles Albro Barker.

Geoffrey Lee, reflecting Prof. Hudson, says that "George was not given to cooperating with others". What is the evidence? It is that he did not join other participants in a Land Reform Conference in Paris in 1889. Again, anyone interested in what happened may read Henry George Jr. I have found no reference in Barker. Certainly the evidence is rather sparse for such a sweeping generalisation.

But the review by no means exhausts Prof. Hudson's criticisms. In fact, for the most part the review appears to go no further than the first nine pages—the article is forty pages. It misses the main criticism from Hudson's point of view. This is that George wrongly refused to make a focus. Here "singular" is far from "narrow".

It is possible to argue that his failure to get support amounted less to his supposed inability to get on with others, his "aloof behaviour" or "self-centred personality" than to society's preference for that interventionism known in America as Progressivism.

Richard Giles
Uludulla, New South Wales

The phrase "we're our own worst enemy" is used to mean a person's own failings often pose their greatest hurdles in life. Perhaps George was his own worst enemy, as the review and its subject conclude, or maybe not. But, for clarification, the review does not claim or imply that George was our—ie. the reform movement's—worst enemy. What do readers think? Dr Hudson points out that the quotations cited from his article are "in fact taken by me directly from the Barker biography of George, and are referenced". Ed.

The best book ever

I read the article *The Silver Bullet* by Fred Harrison ([L&L, 121]) and then bought the book ([theU, 2008, ISBN 978-0-90465-810-1). It is the best book ever written on the subject of land reform. So explicit, so well documented on the subject, over such a period of history that the people cannot deny knowledge of it. I hope it gets the sales it richly deserves. My congratulations to the author as he will have left an enormous legacy to the people of the world. Here in Australia (the book looks at my country and how the settlers shared resources) the government is doing just the most awful things to people through land and natural resource bungs bought and sold. Thank you [L&L] for broadcasting the one idea I know will save people and planet.

Betsy J Harris
Kimba, South Australia
A lesson to be learned

The People’s Budget: an Edwardian tragedy
by Geoffrey Lee (revised edition)

This compact book is a terse historical vignette of a time of great significance for would-be reformers—Lloyd George’s People’s Budget. The eponymous ‘great Edwardian tragedy’ is, according to the author, “that the key to solving our economic and social problems was in the hands of these politicians and not used”. This revised edition of Lee’s book has been published for the celebration of the 2009 centenary of Lloyd George’s budget [see p.24].

The People’s Budget is usually considered as the starting point of the modern Welfare State. But most reformers will tell you that the most important measure contained in the budget never got through.

The 1909 Group is “a cross-party celebration of the centenary”. It has been set up “to foster a re-examination of some of the key issues that were left as ‘unfinished business’ in the constitutional upheavals wrought by that government’s radical liberal economic and social agenda”—which, it believes “have been buried beneath a century of swings between socialist and monetarist policies”.

Lee’s book provides necessary illumination for that “re-examination”. It records the history of the struggle of the “peers versus the people” which fatefully—though leading to the neutering of the House of Lord’s power over money bills—still left ‘the Land Question’ unanswered—as it remains to this day. The (real) landed classes today may be of a different sort (middle class, urban): yet landed privilege persists, and it is in large part responsible for bringing the world to its present sorry state.

Lee’s book is a well written account of the political machinations leading up to and surrounding a key moment for the modern world. The story Lee tells will surely become an increasingly important political and social reference in a post-recession world.

Come hell

Hell and High Water: Climate Change, Hope and The Human Condition by Alastair McIntosh

There are few charismatic figures leading today’s reform movements. Alastair McIntosh is one of them. He combines vigorous activism with deep learning, all executed with an infectious passion that sweeps us along towards a vision of a decent society, one in which humans may once again live in harmony with nature.

Unlike many other critics of the current order, one based on exploitation, the author acknowledges the possibility that capitalism may not have to be swept away in its totality. But how do you eliminate its cut-throat features? McIntosh explains that conservation of depletable resources, and curbing the ruthless despoliation of the environment, could be accomplished by using the tools and values to which the current market system claims it adheres.

For example, “shifting the base of taxation away from people’s labour and profit and on to energy simultaneously tackles both the energy that we daily consume and that which is ‘embodied’ in the manufacture of goods and services”. Unfortunately, while sections of the green movement vigorously champion the notion of fiscal reform, the profound implications of this strategy have not penetrated the mindsets of policy-makers.

To change that mindset, however, we need treatments that dig deeper than the formalities of fiscal policies. And that is the value of McIntosh’s book. He explores the cultural, psychological and spiritual issues—all interlinked—that make up the human experience. Adjusting one of the pillars that hold up the structure necessarily affects the rest of the social system. We need to know how we are affected, so that the full range of benefits are understood and accepted.

Fred Harrison

Unownable

Against Intellectual Property
by Stephan Kinsella

This essay by a legal theorist is an examination of the whole notion of owning ideas. Kinsella’s conclusion is that intellectual property infringes on other property rights and is contrary to a free market. Kinsella delivers his analysis convincingly from his libertarian viewpoint—“one should bear a heavy burden of proof to enjoy a monopoly”. This small book is a worthwhile contribution to the debate defining the limits of property.

Maxwell Lewis

a quick note ...

Adam Smith: A Moral Philosopher and His Political Economy
by Gavin Kennedy
h/c £60

Dr Kennedy is one of the world’s foremost experts on Adam Smith. His website and this, his latest, book debunk modern misinterpretations of Adam Smith’s thinking. The book provides a crucial reminder of how relevant Adam Smith was in his own time, and continues to be in ours.

Growth of the Soil
by Knut Hamsun. p/b £13.00


The Shock Doctrine: The Rise of Disaster Capitalism
by Naomi Klein. p/b £9.99

Naomi Klein (author of No Logo, a classic of the anti-globalisation movement) accuses American profit-makers and Nobel laureate Milton Friedman of engineering an alliance between the corporate world and war-mongering governments to exploit disaster and war and their aftermath.

New Ideas from Dead Economists
by Todd G Buchholz. p/b £30

In this revised edition Buchholz surveys and critiques economic thought from Adam Smith’s invisible hand of the 18th century to the depression-fighting ideas of the Keynesians and money-supply concepts of the monetarists of the 20th century, with the briefest visit to Henry George along the way.
Planetary real estate

The Earth Belongs to Everyone
by Alanna Hartzok
Institute for Economic Democracy

This collection of essays and articles by Alanna Hartzok traces her 25 year search for the fundamental truths behind the wealth and poverty displayed on our planet. It was not an easy journey and Hartzok did it the hard way. She worked with the children of migrant workers in Pennsylvania; with impoverished African Americans in Atlanta, and in a coal-mining village in Appalachia; she taught in a Palestinian school in Beirut; she, as she puts it, “meandered the alleyways through the favelas of Santo Domingo” and visited the slums of Nairobi. Lagos she says was a living hell. She endured personal poverty and homelessness in San Francisco.

But all the time she gathered answers, one by one, in her quarter century quest, and they are gathered here in this important book. It touches the social and political movements of our times. As she says: “We live in a time of crisis and chaos, in a world on a precipice.” If we are to avoid catastrophe and relentless conflicts then “warfare or earthshare” is the choice Hartzok sees before us.

The book is roughly divided into themes. Perhaps the most urgent of them comes in the first essay—her EF Schumacher lecture in Massachusetts—“Democracy, Earth Rights and the Next Economy”. The essay begins by looking at what went wrong historically. England used to have a rough and ready system that gave farmers a fair share of the land, but the Enclosures took the common land from the people by force. Hartzok quotes a protest rhyme from the period:

The law hangs the man and flogs the woman
Who steals a goose from off the commons,
But turns the greater scoundrel loose
Who steals the commons from the goose.

The author also quotes the Bible which teaches that the earth is the Lord’s, that we are but strangers resident upon it and that the profit of the earth is for all. She argues that Christianity lost its mission for economic justice when it became the official religion of the Roman Empire and Roman land law was grafted onto it.

Hartzok’s book is wide-ranging in its subject matter and focus. But she invariably returns throughout the book to land value taxation as the modern answer to ancient problems. (She examines the example of Pennsylvania where the policy is being put into practice.)

This book must be read for its span and depth to be appreciated.

Geoffrey Lee

The Return of Depression Economics and the Crisis of 2008
by Paul Krugman. h/c $24.95

The 2008 Nobel laureate has updated his 1999 book to respond to the economic crisis. Krugman says the failure of regulation to keep pace with an increasingly out-of-control financial system set up the United States—and the world as a whole—for the greatest financial crisis since the 1930s.

A Splendid Exchange
by William J Bernstein. h/c $30

A Splendid Exchange tells the extraordinary story of global commerce from its prehistoric origins to the controversies surrounding it today. It transports readers from the ships that carried silk from China to Rome in the 2nd century, to the modern era of televisions from Taiwan and T-shirts from China.

I recently took delivery of a book I had particularly looked forward to receiving. Its cover portrays the diamondback rattlesnake from the Gadsden flag—a bright yellow symbol of American independence used in the Revolutionary War. The flag bears the legend “don’t tread on me” and has become an important symbol for libertarians, invoking the Jeffersonian spirit of independence and opposition to centralised state control.

So it is an appropriate cover illustration for the 2008 reprint of The Freeman Book, a compendium of articles from the eponymous magazine edited by Albert Jay Nock—perhaps the 20th century’s greatest individualist—with his friend and associate Francis Neilson. When the book was first published in 1926 the magazine had just closed its doors. A similar book—The Book of Journeyman—would be published in 1930, collecting essays from The New Freeman which was founded by Nock’s editorial assistant, Suzanne La Follette, and which featured contributions from Nock.

The Freeman would start and cease publication several times over the years under the patronage of various publishers. In the 1940s Frank Chodorov, Nock’s intellectual heir, edited a Freeman that was the house organ of the New York Henry George School. But he was dismissed for his unequivocal opposition to US involvement in the Second World War. Later the Foundation for Economic Education took over the name and publishes to this day a well-thought of, if somewhat unexciting, libertarian journal. The Freeman, like Nock, was always unapologetically libertarian, isolationist—and georgist, although modern right-libertarians tend to laud the first two positions and dismiss the latter as an eccentricity.

Despite Nock’s georgism, The Freeman never was a battle organ for the Henry George movement. Indeed, while he wrote a book about George, Nock himself never fit the mould of a prototypical Henry George follower. For that he was too decidedly strange an anarchic soul, of too aristocratic a disposition—dismissing without hesitation political institutions, social orders and cultural discourse that most take for granted. But without Nock’s brand of radicalism being channelled through followers like Murray Rothbard, modern libertarianism would be very much the poorer.

The cornerstone of Albert Jay Nock’s literary production is the book Our Enemy the State from 1935. In it he described how the state—and its destructive warfare and New Deal policies—was consistently at odds with the cultured behaviour of gentlefolk, and reasoned why it must be brought down.

The Freeman has been defunct for 80 years. It survived—barely and only for a while—with scant circulation, shoe-string budgets, primitive production values but—not least—also with magnificent, unreenting and uncompromising men at the helm. Still to this day it reminds us that we are not free, and eggs us on in our struggle for liberty.

The new reprint edition of The Freeman Book is published by the Ludwig von Mises Institute in Alabama—a veritable hothouse for radical market-libertarian thought and commentary—and is most easily purchased directly through their website www.mises.org
As its centenary rolls round, Jock Coats hopes the wisdom of Lloyd George's People's Budget will resonate for post-crisis legislators.

LAND AND tax reformers could scarcely have planned better the timing of global financial meltdown than for it coincide neatly with the centenary of the 1909 'People's Budget'. For the current crisis in financial and property markets demonstrates starkly the importance of land even in the most sophisticated, modern, ethereal economic system. The ideas and principles behind Lloyd George's land taxing budget of a century ago also provide many of the answers to the issues we face today.

It is, of course, the well documented debate surrounding that budget and, later, the constitutional upheaval it caused that are far more important to us today than the Finance Bill of 1909 itself. Few of us would implement any land taxes the way Lloyd George proposed, I'm sure. But Winston Churchill's "speeches by the yard on the land question" delivered to approving packed public meetings continue to give us some of our best arguments for land taxes today. The two big questions we face on the economy in 2009 are answered by those hundred year old arguments.

On the one hand, to prevent recession turning to slump, or worse, we need to be more forthright than ever in promoting free trade and not allowing protectionism to creep into economic policy. As governments discuss whether and what type of fiscal stimulus may be required they need look no further than "Churchill's Tax Switch"; de-taxing, and so stimulating, the economically productive processes of work and investment in capital, and taxing instead the unearned product of others' labour and 'investment' in the form of land values.

While on the other hand, land taxes also address the second great consideration of the day: how to prevent this happening again? The bubble now bursting so spectacularly was based on the unsustainable inflation of land values; the direct result of official policy to keep debt-money plentiful and so support the consumer-led economy. As we rebuild our financial institutions and fiscal controls, land taxes ought to be an essential tool for stabilising the land market and preventing such speculative bubbles feeding monetary expansion.

So the current economic and market turmoil probably gives us the best opportunity in a generation, perhaps a lifetime, to press home the case for land taxes being the basis of a new economic system.

This bubble has brought us a whole new potential generation of supporters—those who were left behind by rising land values, unable even in decent average-income type jobs to get on the housing ladder. No longer just the very least well off, though as tenants they too suffered disproportionately, but young, educated, working, voting and generally successful households. And for those who did stretch themselves to reach the housing ladder, taking on debt that in any other circumstance would be irrational and unsustainable, they are experiencing now the greatest injustice of getting their overstretched fingers the most burned in the meltdown.

If we look we find a breadth of support for land taxation right across the political spectrum, today, as historically, with figures such as Bernard Shaw on one side and Milton Friedman on the other. We must use the centenary of the People's Budget to develop more popular understanding, and with it, depth of support, the likes of which packed into the King's Theatre in Edinburgh to hear Churchill explain it in 1909.

For perhaps like never before, we need a New People's Budget to prevent ordinary people, and the poorest more than most, bearing the brunt of the effects of an 'age of irresponsibility' such as, recently, we have lived through.
the four vampires of capital
—the menace that is invisible to economists
Meet the Vampires of Capital—One, Two, Three & Four. (see feature p.12)

What's special about EU farmers that demands they enjoy standing state subsidy?

The life blood of the economy is drained by four parasites—invisible to most economists, blinded by their faulty neoclassical training

It is not enough for 'we told you so'-reformers to sit back and weather the storm: in the crisis the greatest opportunities lie

There's more than one way to skin a cat: reflecting on local rent collection by extra-fiscal means

Does our love affair with house prices lead to other affairs more literal?

Edward J Dodson is Director of the US-based School of Cooperative Individualism and author of Discovery of First Principles.

Lars Rindsig is Executive Editor of L&L.

David Triggs is Executive Chairman of the Henry George Foundation, publisher of L&L.
Having started 'financial', then turned 'economic', the global crisis has now gone 'social'. Ordinary people everywhere are coming to feel that that means. National governments are floundering in their responses. At the global level, Joseph Stiglitz's UN Commission of Experts brings no breakthrough wisdom. For the moment perhaps the best we have from that fount is its observation that 'most of the burden of the economic policy response to the crisis must now fall on the shoulders of fiscal policy'—and that 'the international financial institutions have to strengthen their capacity to implement counter-cyclical instruments.' Well so far so good.

Focus, so far, has been on reform of the banking and global finance system. This is dismayingly, for the root of the crisis seems to be elsewhere. Might it be not endemic to the banking system per se—but rather lie in the operational 'environment' in which banks do their business? Might the cause of the present crisis lie in the real asset landscape that are brought into being by our legal institutions, and upon which our financial institutions rely for debt security? Could reliance on cyclical market land values for the securitisation of credit (and supplementing individual income) be the root of the crisis?

Securitisation of another sort has been linked to things—though fallaciously: but the secondary packaging-up of original mortgage securities into novel wholesale financial products such as 'collateral debt obligations'—for on-trading around the world to further profit and off-load risk—is a problem only of secondary concern.

However if the banks were to open up these CDO packages to public view (which they seem unwilling to do, presumably fearing exposure might fatally threaten balance sheets), we would be able to see better in what ways this strange new class of asset has been contributing to the banking crisis. We could better assess the degree to which lending to NINJA defaulters (No Income, No Jobs or Assets—the original media scapegoat) really is to blame: and the degree to which market confidence in CDOs has been hit because of the asset bottom line—the original physical property values on which the derived financial assets are ultimately secured.

If the latter rather than the former turned out to be at the root of the financial crisis—if burst land value was the real subject of the imperilling human greed now exposed—then no amount of 'banking reform' will provide the solution to the current or any future crisis.

It is clear to L&L that the solution to the crisis lies in the conjoined spheres of property law and taxation. It lies in removing from private asset value, available for credit security, that 'unearned increment' attributable to land and resources. This can be achieved through taxation policy. In this issue of L&L Mason Gaffney identifies a sixteen-point action plan for achieving the aim. Each item would impact positively on the environment within which banking operates—stabilising and securing the industry and the future global economy. We must immediately start work on that list and hope that we've got down it far enough before the next crisis hits in 2027—or that one will be a shocker, the likes of which we even yet cannot imagine.
Glasgow goes for land tax

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<td>Pre-1914 semi-detached</td>
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Glasgow City Council reveals what new tax bills would be like under a land value tax system. The property wealthy are hit harder; the poor are better off. (data source: Glasgow City Council)

Glasgow, Scotland’s biggest city—‘the second city of the Empire’—wants to replace the unpopular local Council Tax with a tax based on land values.

The radical proposal was agreed by Glasgow City Council on the 25th of June, and “the idea could become the blueprint for Scotland’s future local taxation” says the Scotsman. Councillors from all parties except the SNP backed the idea to create a fairer property tax based on up-to-date values, according to the paper. “The proposal would draw in elements of the land value tax put forward by the Greens, who played an important role on the city council’s working group.”

The decision came with publication of a Council report by its Local Taxation Working Group (an initiative trailed in L&L winter 2008/9). The report looks at alternative systems for raising local revenue, and assesses options using the criteria of fairness, efficiency, predictability and local democratic accountability. Scorecards gave land value taxation equal top ranking, with fifteen points out of twenty. The tax was seen to fall down on questions of predictability and local accountability.

It is understood that councillors accepted the report’s recommendation of a “long term move to a local property tax / land value tax hybrid tax” and that the Council should “start planning for replacement of council tax with a local property tax, incorporating powers to introduce gradually land value tax elements”.

The report also states that simple (ie. non-hybrid) LVT should itself “not be discounted as an option for local taxation reform; it potentially holds many benefits and addresses many existing concerns with the council tax. Whilst there are a number of concerns with LVT, these often arise from the ambiguous and unfamiliar nature of the tax, coupled with the absence of UK empirical evidence and practical understanding.”

While the report’s view is that “none of the concerns identified with LVT are deemed insurmountable”, it warns that “LVT may be difficult to explain to taxpayers so there would have to be effective public liaison and education to ensure support”. The authors also believe “the treatment of agricultural land would have to be considered”.

The report concludes that: “A series of detailed national pilot studies, with potential localised targeted LVT on derelict land, would be a sensible way forward”, and that: “The Glasgow pilot commissioned by the working group has been a valuable exercise in identifying indicative issues for Glasgow and has helped progress the LVT debate.”

The report publishes for the first time the findings of that pilot. The study looked at the likely effects of the tax options on the city’s East Centre ward. With an assumption of revenue neutrality, the pilot found low-value homes would have their tax bills slashed under the LVT proposal (see illustration). 

Looking at non-domestic tax-payers, the pilot report concludes there would be little change in the amount of local tax bills for industrial and retail property. But noting that derelict and vacant land is currently not subject to local taxation, the study estimated that “total possible LVT revenue on... derelict & vacant land” within the subject ward would be £669,539. This would constitute a new stream of funding for local government—possible additional revenue for the whole city of perhaps £14m.

At present Scotland’s local authorities do not have the prerogative to determine their own tax base. The Scotsman reports, however, that the Council is advocating Scotland’s councils “be given the powers to develop taxes which suit their local needs and raise a larger proportion of their own budgets.”

It is understood the Council will now make representations to the Scottish Parliament.

Carriers no pigeons

“The Byzantine system of managing landing slots needs reform”, according to the Financial Times—and “the logical solution would be to auction off slots in the manner of airwave spectrum and other naturally limited resources.” L&L and campaigners have been advocating this approach for some time.

Like all of us, airlines are having a hard time in the current crisis. With a view to easing their problems—according to the FT—Antonio Tajani, the European Union transport commissioner, wants to suspend the requirement that airlines use their landing slots at least eighty per cent of the time. Slots are allocated on the basis of ‘grandfather rights’. Tajani’s proposal would loosen further the duties on airlines to be responsible in their use of scarce public resources.

The FT argues that Tajani’s ideas are wrong-headed. What’s needed instead, they say, is more competition. “The grandfathered slots hide huge subsidies” the newspaper points out—“evident from trading prices such as the £209m paid by Continental for four Heathrow slots”.

Deloitte recently valued BA’s Heathrow slots at £2bn. Reformers have calculated that the total value of Heathrow’s slots is in the order of value of Scotland’s 1.5m acres of prime agricultural land. Until now these air assets have been left off balance-sheet—but, in these economic hard times, carriers would love to augment their asset base with their landing slots.

The Commission’s Single European Sky (SES) package sets out “the future of European aviation”. But the plan does not seriously engage with the thorny issue of landing slot allocation—nor even raise the fiscal and asset aspects. Commentators argue that the Commission is failing to get to grips with a practical problem that will only get worse: some—L&L included—argue there is a fundamental point of principle at stake here—as well as a lot of money and public value.

As the FT writes: “A proper overhaul of EU policy would get rid of the old carriers’ vestigial privileges altogether”.

Belgian overhaul

Bernard Clerfayt, State Secretary to the Minister of Finance, and the mayor of Schaerbeek, is calling for the overhaul of the property tax in the Brussels Region. Cadastral income (‘revenu cadastral’) is used in Schaerbeek to calculate the property tax. Clerfayt has called for this income to be considered in two parts—an ‘ac land’ and an ‘ac building’—proposing, according to L’Echo, a “land value tax”. There is no question of increasing the estate tax, he told the newspaper, he simply wanted more tax on the ground value and less on the brick.
The UK housing market

Just as the arrival of the global financial crisis and housing crash found the experts lost in confusion, so, two years later, nothing’s changed. Are we seeing the ‘green shoots of recovery’, or the so-called ‘winner’s curse’? Are we at a new beginning, with the worst behind us, or in the lull before the storm? The indicators are raising optimism. But the experts’ lack of a realistic economic framework within which they can understand what is happening renders their observations unreliable and their advice dubious. So—time to get on the housing carousel and do it all again?—see you at the bottom in 2027? Or time for the experts to learn the key importance of the third dimension—land and natural resources—in the philosophy, science and practice of economics?

Can I look yet? The worst may be over for the UK housing market according to www.introduceruk.com, the finance industry networking community. They report that average asking prices have risen for the third consecutive month. “The worst of the recession may be past”, they think, but still expect “no recovery until spring 2010”. The outlook is shared by the CBI: “The UK recession is expected to moderate in the second half of 2009”.

Affordability does suggest the worst is over The affordability of housing for first time buyers UK-wide is now nearing historic norms. The Nationwide—the world’s largest building society—reports that “significant improving affordability” is helping buyers. The Society publishes a generation’s detailed ‘First Time Buyer Affordability Indices’. The indices measure initial mortgage payments as a percentage of take-home pay. Still the UK figure masks significant regional variations. So while the big picture may be good news for the national economy, it seems that further clouds—albeit with silver linings—are ahead for some.

Some experts say time to jump back on the ladder Summer has reportedly seen a stream of first time buyers on the housing market, apparently attracted by lower prices and the new availability of mortgage credit. Leading website www.look4aproperty.com has seen a 75% surge month on month in new enquiries. “The biggest problem we are now facing is a lack of homes” says founder Aaron Turner: “A lot of people went into the rental market after their homes failed to sell—but we are telling them that now is the time to switch back again.” Turner adds that the new frugality sweeping the country since recession hit, means “savings have now accumulated so much that people have deposits they wouldn’t have had otherwise—and they are ready to invest in property.”

Other experts disagree MoneyWeek claims to be “the only financial magazine to warn readers that a house crash was imminent” (L&L did too, of course). This summer it asks: “How much worse can things get? Surely, having fallen so far, there must be good news on the horizon for the property market. Unfortunately the answer is a resounding ‘no’.” Investors and homeowners are warned: “It looks like things are only going to get worse in the months to come. Property owners (particularly buy-to-let investors) are set for the most painful experience of their lives”. To find out how the value of your house has been falling as you sleep try the Nationwide’s house price calculator www.nationwide.co.uk/hpi/

Negative equity Calnea Analytics—authors of the official Land Registry House Price Index—have published their latest “loss estimates for the UK mortgage market”. Director Troy Martin said: “Market losses are expected to be significantly higher, compared with regulatory capital, than those experienced by lenders prior to 2007 and represent a similar magnitude to those experienced during the previous mortgage crisis of 1989-93.” Meaning? It’s official—a decade of negative equity is now built into the system.

The land industry Leading independent financial advisors Collins Stewart have published their latest market analysis of the construction and materials industry. Noting greater signs of market stability, and diminished need for 09 writedowns and financing discounts, their position is generally optimistic. They upgrade their ratings of several industry big players. They note however that “it is clear that companies will need to start replenishing depleted land-banks toward the end of this year, or into 1H 2010”.

Property tax good news? Kevin Green from the Wealth Intelligence Academy says now is the time to invest in property in the short term. Do it, he says, “before fiscal changes” from the 2009 budget “come into effect...particularly in relation to stamp duty land tax, furnished holiday lettings, income tax...capital gains tax and inheritance tax” all impact negatively on those speculating on property. This suggests Darling’s budget was more progressive than reformers at the time gave him credit for.
The Digital Dividend—resource rents & the technology drive

The other digital dividend The UK Government has published its Digital Britain final report. The so-called ‘digital dividend’ is the range of innovative new services to be provided on the radio spectrum freed up by the switchover from analogue to digital TV. Digital signals take up less spectrum space.

The technical dividend is also likely to give a significant boost to UK government coffers. Whether delivery of this other gain turns out to be a fair fiscal dividend for the UK taxpayer—or a lucky windfall for the winning bidders—will be determined by the provisions of the licence auction system and by the economic events of the coming decade or two.

“About 30% of the traditional TV airwaves will be up for grabs”, says the bsc. The new bands are valuable because of their range and the large amounts of information they can carry—“the radio waves are being fiercely fought over by broadcasters and mobile operators.”

Spectrum auctions will open shortly, although the government’s report has persuaded independent regulator Ofcom to delay some of its immediate plans. According to Ofcom, the licences will be “tradable and flexible to allow users to determine the technology and services they provide and to change the use of the airwaves as new technologies and services emerge”. Spectrum will be freed up for new uses in phases, as digital switchover proceeds between now and 2012. Licences will be “of indefinite duration with an initial term lasting until 2026.”

The US Federal Communications Commission sold off its equivalent spectrum last year for an initial $9.5bn (£5bn). According to FCC Chairman Kevin J Martin: “This is almost twice as much as what was initially anticipated, more than the government has ever raised in any previous auction.” The UK sell-off—when it comes—is likely to be the biggest since 3G was auctioned in 2000—raising £22.47bn and not inconsiderable controversy.

Mobile broadband to reshape economic geography Ofcom has announced proposals to align more of the UK radio spectrum with other European countries. This will be especially significant given the forthcoming spectrum releases under the digital dividend. Ofcom says: “These airwaves are particularly important because the signals they carry travel over long distances and penetrate into buildings well.” The plans will allow new wireless and mobile broadband services to be launched across Europe. Fast internet access is an increasing requirement of modern business—and for more and more people it’s a red line for life and leisure.

Present fixed-line broadband services favour economic development in urban centres: dense use of cable infrastructure gives greater returns for capital outlay. Mobile broadband will make new services available for the first time to currently disadvantaged rural areas. But there are perhaps unexpected losers too in the fixed-line broadband stakes: über-wealthy Henley-on-Thames and Marlow, for instance—home of Robbie Williams and formerly George Harrison—have some of the worst fixed line coverage in the country, according to research conducted by Top 10 Broadband.

The new mobile networks will level-out the broadband playing field. People and business will have greater flexibility in where they locate. The urban-centre/rural-margin dichotomy—already fuzzed by such modern developments as transportation, refrigeration and first generation telecommunications—will be further broken down. Mobile broadband will significantly reshape the economic geography of Europe.

Connecticut: Ivt enabling bills and pilot scheme

“Land value taxation’s moment may have arrived”, says the Center for the Study of Economics: “Two bills—one Assembly, one Senate—have been introduced permitting any city in Connecticut to enact land value taxation.” A land value taxation pilot programme for the City of New London—promoted by local urban activists the Re-New London Council—has also been signed off by the governor. "This enabling (not mandatory) legislation allows cities throughout the state, at their discretion, to implement a land value tax whereby land would be taxed proportionately higher than building structures", says the Council. According to an editorial in Connecticut’s The Day: “Land value taxation gives New London the chance to support, rather than penalise, investors who want to improve their city properties. It must not let the opportunity pass.”

Economics courses Following the successful course on 'The Principles of Political Economy', the summer term has provided the opportunity to explore a number of Henry George's public speeches and addresses. For ten weeks students have heard and discussed talks that included: 'Moses: Apostle of Freedom'; 'Justice the Object: Taxation the Means'; 'Thou Shalt Not Steal', and; 'Land and Taxation'.

California visit For hgf’s Executive Chairman, a highlight of the year so far has been a spring visit to California, where he was able to get a feel for the times and places that inspired George’s writings. During the visit he met with several fellow reformers, including David Geisim, Fred Foldvary, Cliff Cobb, Mason Gaffney and Harry Pollard. Look out for Foldvary’s Henry George ‘Oakland experience’ video—posting soon on hgf’s website www.henrygeorgefoundation.org

HGF report

Advocacy Spring and early summer has seen a period of considerable activity and the Foundation has been represented at a number of national conferences and seminars. In February we supported the annual ‘The State of national conferences and seminars. In February we supported the annual ‘The State of
Coiiimci to raise Kent house prices by up to £30,000

The UK's first high speed railway—connecting London to the Channel Tunnel and continental Europe—is forecast to deliver over £17 billion in economic benefits. With the total cost of the project coming in at £7.3 billion, the new rail link—known as High Speed 1—will generate benefits and impacts of more than double its cost.

The figures are revealed in a report prepared for operators London & Continental Railways. The report recognises that the wider economic benefits of the project will manifest themselves in increased property values. With commuter trains running on the new line from December, Kent's communities served by rail will find their travel times to London slashed and their property values booming.

"We estimate that house prices in the study area could increase by between £950m and £1.6bn, with a central scenario of £1.3bn", the report’s authors conclude—the "equivalent to just over a quarter of the cost of delivering the project. This represents a capitalised value of benefits of HS1 to the residents of the study area."

House price increases
- £10k-£30k
- £2k-£10k
- £0-£2k

"HS1 will change the geography of Kent" David Joy of L&CR told the Financial Times: "People will experience the benefits even if they never set foot on a train." Although financing has been tortuous, the project has had substantial public funding and now enjoys a government-granted monopoly. The benefits of the project—including Kent house price gains—are being paid for by all UK taxpayers equally, from Land’s End to John o’Groats.

Australia’s Future Tax System

Australians are in the process of conducting a comprehensive review of their nation’s tax system. Announced last year by the Rudd Government, its aim is to reform taxation "to deal with the demographic, social, economic and environmental challenges of the 21st century". As the Business Council of Australia notes, the country sports fifty-six separate taxes, compared with the UK’s twenty-two—so there is thought to be great scope for streamlining. A panel headed by Secretary for the Treasury Ken Henry has been holding public meetings across Australia, taking submissions and consulting stakeholder groups, all with a view to presenting a final report to the federal government in December. Speaking to L&L, Bryan Kavanagh, director of the Melbourne-based Land Values Research Group, and author of Unlocking the Riches of Oz, wondered: "Will AFTS be any more than the usual tax ‘reform’ – a simple alternation of emphasis, between taxes on labour and capital, and taxes on the products of labour and capital?" The answer to that question remains undecided for the moment. The consultation process closes in November. TAXREVIEW.TREASURY.GOV.AU

£ / Square Mile

Latest July figures show "thirty-two out of the thirty-three London Borough districts continue to show year-on-year price falls", according to Dr Peter Williams of independent consultants Acadametrics. However "the City of London continues to defy gravity, showing an annual increase of 28.9% in the price of flats on a three months basis". But Williams counsels caution—the relative scarcity of dwellings within the financial district’s boundaries means prices are volatile as well as prime. Greater London as a whole saw a 13.7% fall in prices in the last twelve months.
Farming off the dole

Scottish farmer Duncan Pickard argues the future of European farming is tax and subsidy free

The 1957 Treaty of Rome stated that the main aims of the Common Agricultural Policy were:

- to increase agricultural productivity;
- to ensure a standard of living for those engaged in agriculture comparable with that of other workers;
- to stabilise markets for agricultural produce; and
- to ensure adequate supplies of produce at reasonable prices to the consumer.

In reality, the CAP has always been a social welfare policy to give income support to small farmers: but because subsidies were directly linked to production, most of the money has gone to the twenty per cent of farmers who produce eighty per cent of the output. Even the income support given to those with small farms has had little or no relationship to the need of the recipients for such support. At least one third of farmers or their spouses in the original fifteen member countries of the European Union are known to have sources of income other than that derived from farming. In comparison with other sectors of the population that exist on low incomes, farmers are treated very generously.

Whether the money paid in income support improves the standard of living of most of its recipients is debatable. Most of the money can be accounted for in the increased price of agricultural land and in the rent paid by tenant farmers. The CAP is an indirect means of increasing the wealth of landowners; agricultural land prices would be lower if the CAP was abolished. Many of those who actually work on the land would not see a reduction in their expendable incomes. Those who would like to become farmers but who are unable to gain access to land because it is currently too expensive would see a big increase in the chances of achieving their aims.

Over the last six years the CAP has changed from a policy where payments were directly linked to production to the payment of subsidy according to the area available to be farmed. The Single Farm Payment system means that farmers have no obligation to produce anything in order to receive the area payment. In Scotland large areas of the hills and uplands now have no sheep or cattle and some arable land is fallow. If a farmer can obtain sufficient income from the SFP without keeping livestock or growing crops, it is natural for him to do so. It is a fundamental feature of human behaviour for people not to work when they can satisfy their needs whilst not working.

There has been a decline in the production of meat as a result of the decrease in livestock numbers. Government ministers and the leaders of the farmers’ unions are trying to find ways to reverse this trend. An obvious way to ensure that livestock return to the hills would be to abolish the CAP. Without the SFP, landowners would either have to keep sheep or cattle to make a living or make way for someone else to do so. This option is not on the current agenda, because most farmers have become so accustomed to subsidised farming that they believe that survival without subsidies would be impossible. However, it is not true to say that farming cannot be profitable without them. When subsidies were stopped in New Zealand twenty-five years ago, many said that farming would collapse. No one currently farming in New Zealand would want subsidies to be reintroduced. Adaptation was painful for some, especially those who had bought land at high prices which could only be justified by the receipt of subsidies.

Those of us farming under the CAP would also adapt to change if subsidies were scrapped. It is not unlikely that, after 2013, we shall have to cope with much smaller payments than we receive at present. The European Commission is seeking to unify the area payments throughout the twenty-seven EU countries. This will mean that the farmers in the twelve most recent countries to join the EU will receive higher payments than at present and those in the other fifteen countries will receive less. Scottish arable payments will probably fall from about £200 per hectare to half that amount. There is little prospect of the EU budget increasing to maintain income support at its current level. The economic recession throughout the EU is not going to end for several more years and the whole subject of subsidised agriculture will be questioned. Any objective assessment of the CAP would find it strange that such large amounts of money are spent in adding to the wealth of landowners when the budgets of all the member countries of the EU are showing massive deficits. The OECD has estimated that the total cost of the CAP is about a hundred billion euros per year, about half from taxes and half from higher food prices.

For anyone who studies the current economic recession and the prospects for bringing the public finances under control, the CAP is an obvious target for cost-cutting. It is difficult to justify continuing to boost the price of agricultural land and make it more attractive to speculators. The recession has its roots in property speculation, not only by banks but also by home owners, encouraged by a tax system which made investment in property so attractive. Property is taxed much more lightly than employment and productive enterprise. It seems that most politicians and economists, who insist that ‘land’ is ‘capital’, have learned nothing from the current mess and are trying to reflate the property bubble as soon as possible. They appear to accept without question the view that high and ever-increasing property prices are essential for the economy to function successfully. Farming would benefit from lower land prices.

The unpalatable truth is that these factors make up the Achilles heel of the form of capitalism seen in most countries. That heel now lies fatally exposed by the current crisis. The only way capitalism can function properly is by governments collecting resource rents to pay for essential public spending, and removing the tax burden from employment and enterprise.

The future of European farming must be tax and subsidy free.

Dr Duncan Pickard lectured at the University of Leeds before turning to farming. He now runs a 1,100-acre arable and livestock holding in Fife as a family business. He is the author of Lie of the Land.
Landowner subsidy

Smiths Gore, the UK's leading firm of land agents and rural surveyors, says Britain's 2009 budget is a pro-landowner instrument: "The budget contained two significant measures for owners and investors in agricultural land"; a "much smoother" route for agricultural rent reviews has been put in place after a recent VAT test case, and; Agricultural Property Relief, "which is a key tax relief for farming families and landowners, has been extended to cover land owned elsewhere in the European Economic Area." Smiths Gore call this "a valuable concession", allowing landowners to pass on high-value land assets to the next generation. The relief will act to raise the value of agricultural land in Eastern Europe beyond the means of local farmers. It will further the development of a Western Europe-based corporate agricultural landed class—one that augments meagre rental income with significant subsidy income and balance sheet capital gains—courtesy of the public purse. Gerald Fitzgerald of Smiths Gore's property investment and management team said: "This is a major concession and will be a significant attraction to people wanting to invest in or enjoy rural property elsewhere in Europe. It now allows them to do this and use efficient tax planning to reduce their Inheritance Tax liabilities."

In comparison with other sectors of the population that exist on low incomes, farmers are very generously treated.

CAP and the developing world

"Criticism of the CAP has united some supporters of globalisation with the anti-globalisation movement in that it is argued that these subsidies, like those of the USA and other Western states, add to the problem of what is sometimes called Fortress Europe; the West spends large amounts on agricultural subsidies every year, which amounts to unfair competition. The Organisation for Economic Co-operation and Development countries' total agricultural subsidies amount to more than the official development assistance from OECD countries to developing countries. Support to farmers in OECD countries totals S280 billion annually. By contrast, official development assistance amounted to $80 billion in 2004. OECD analysts estimate that cutting agricultural tariffs and subsidies by 50% would add an extra $26 billion to annual world income, equivalent to just over four dollars a year for every person on the globe." Wikipedia
Zimbabwe: new policies for a new century

Eddie Cross reviews the context of a new approach to land reform in Zimbabwe

The phrase 'an Englishman’s home is his castle' is more than just an expression picked up through the centuries. It describes the changes that ushered in the industrial revolution and made possible the dominance of Britain in the 18th and 19th centuries. It marked the adoption of the Enclosure Acts and the evolution of freehold title rights on both agricultural and urban land.

What many do not realise is that the circumstances of these changes signalled the demise of feudalism in England and the emergence of a modern, democratic state. It took many years to achieve both, but once the decision had been taken to enclose land for agricultural purposes and to allow urban dwellers to own their own homes, the process was established and could never be reversed.

Feudalism had kept ordinary working class Englishmen in servitude, obligated to a small class of ‘landed gentry’ who were wealthy by any standard. The relics of that era are still visible all over England.

Africa is coming out of a similar era—not as extreme but just as damaging. In fact, given that the natural environment of Africa is much more fragile, its abiding effects in ecological terms might be much more serious. That era saw traditional tribal structures within indigenous socioeconomic systems—meaning political power concentrated in a small group who worked through the chief, who was their appointee. All ordinary members of the tribe, and in many cases all women, were denied any form of security. They could be evicted from the tribe for any misdemeanour, and that might lead to expulsion and death—so discipline was pretty tough.

Under the African system, there is more democracy than prevailed in feudal Europe. But the effects of insecurity over economic assets (land) and housing has meant that progress has been very limited and is often stifled by the social forces at play in the society. Individualism is not allowed and initiative frowned upon and these characteristics restrict progress. These same features also allow the excessive exploitation of natural resources, giving rise to land degradation, erosion and desertification.

In Zimbabwe, a highly productive and self-sustaining commercial system of farming, founded on freehold tenure, is being destroyed by the regime that has been in power since independence in 1980. This has had dramatic effects on agricultural output and led directly to the collapse of the economy. In consequence Zimbabweans are now confronted with pressure to review land policies and to confront the problems that currently exist.

It is clear that the present policy of destroying land tenure rights is not going to succeed. Holders of title have strong legal rights and despite every effort, it is now clear that existing landowners are entitled either to have their land rights returned to them or to full compensation in the currency of their choice. The spectre of thousands of claims is concentrating minds in Harare and is expected to start the process of review very shortly.

What is agreed is that security of tenure rights over both urban and rural land is critical to progress: but what is overlooked is that such reforms will also reinforce the democratic rights of the people of Zimbabwe and help entrench democratic values and norms. Secure communities will become free communities with the capacity to confront and control those in charge of the State at different levels.

This role that tenure rights play in strengthening democratic values and practices is not given enough emphasis in studies of the system. They also underplay the environmental implications of security of tenure and in Africa, with its fragile ecosystems, this is a crucial factor.

Eddie Cross is a member of the Zimbabwean parliament and a founder member of the Movement for Democratic Change. He is currently the party’s Policy Coordinator General. He was nominated as a minister in the national unity government, but deselected as President Mugabe formed his cabinet.
Land involves social, legal and economic relationships. That being the case, there should never be any ambiguity about land as a legal expression. Any future democratic constitution must thus recognise property rights (private and state) and must recognise land and its ownership as a basic ground norm, which will be consistent with international conventions such as the Universal Declaration of Human Rights and the African Charter on Human and People’s Rights. These basic rights and norms in respect to title rights in agriculture have been consistently and violently violated over the past eight years.

If land is a constitutionally protected human right, then its acquisition and distribution must also be a constitutional issue. This means that the distribution of land for the public good must be totally de-politicised and must not be subject to the whims of an executive driven by political concerns. The task of redistribution and acquisition must be entrusted to the Land Commission, duly set up by an act of Parliament, whose majority members must be experts of integrity with guaranteed security of tenure.

The immediate priority will be to establish and empower the Land Commission. The following cross-cutting land policy issues are spelt out in particular: settlement models... co-development.... land tax.... [and] land market....

Rural District Councils already impose a land levy, which is based on the unit area of a farm and therefore constitutes a form of land tax. To encourage the full utilisation of land, [an] MDC government will introduce a more sophisticated, progressive land tax designed to release underutilised land through subdivisions and to remove incentives for speculation in agricultural land. A properly constituted land tax has the added advantage of raising revenues without distorting commodity prices. It is intended that the proceeds of the land tax will accrue to Rural District Councils for improvements in public services and infrastructure in the area in which the farm is situated.

‘From ready to govern to preparing to govern’ Movement for Democratic Change, 8th August 2008

The new generation will not tolerate the old policies

MDC land and agriculture policy 2008

Whilst all human actions require a measure of consciousness, there is a marked difference between those that flow from mere appetite, and those which follow the mental process of discrimination. In the individual we see the need for discrimination to check the excesses that appetite might prompt. Likewise at the level of society there is a balance that has to be struck between those actions to be left to individual choice, through the operation of the market, and those which require conscious intervention by government to protect the common good.

The level of intervention needed seems to reflect both the quality and complexity of the society. Where goodness and neighbourly love prevail or the society is simple and division of labour rudimentary, little intervention may be called for. Where an economy is characterised by specialisation, acute interdependence and a reliance upon services provided by monopoly, more government intervention may be appropriate.

Likewise, what a person needs to prosper varies with time, place and circumstance. With economic development, services that were once exceptional and rare, may in time, become commonplace, normal, or even essential. This, I believe, poses an important challenge to governments (and students of political economy) similar to that which attends the unchanged need for people to have free access to land at the margins of habitation and production.

An example with which I am professionally familiar is that of public water supplies, particularly in developing countries, where effective demand exceeds the available supply. People in urban communities are normally obliged to obtain the water they need via a piped supply and it acquires what Henry George called a ‘value from obligation’. Water (like land), is essential to human life, but (like land) may also acquire a value that reflects use for discretionary purposes. Water for amenity, industrial or agricultural purposes may be so highly valued by some within a community that they are happy to pay a high price for it. Where ‘market price’ (through a metered tariff) is deemed to be the appropriate means by which this scarce resource can be most efficiently allocated, the wealthy are able to afford to purchase the whole available supply—leaving others to suffer the hazards and expense associated with non-piped supplies. In fact, this reliance upon market forces and ‘metering’ actually ensures the piped supply is also contaminated—for everyone. Where demand exceeds supply, supply is rendered intermittent—and pipes empty: since all piped systems leak, and empty pipes leak inwards, the supply is contaminated every day! My challenge was to develop an uncontaminated water supply system so every household received the minimum quantity for public health purposes before any received more than that basic amount. On achieving this I found that the surplus could be marketed to reflect its value to the whole community and the revenue could be maximised.

If my ‘safe water for all’ (SWaFA) system is the application of an established principle, i.e. that couples ‘the optimisation of land use and the collection of the resulting rent for the community’, could this principle see wider application? Could it be applied to other situations where ‘value from obligation’ arises as a consequence of development and public policy? Where services, supplied by public or private monopolists or near monopolists, that might once have been discretionary, have become virtually essential to economic participation?
With banks continuing to squeeze customer lending, the publication of Mason Gaffney's 'How to thaw credit, now and permanently' has raised controversy. Here for L&L the author presents his thoughts on opening up the credit markets.
The four vampires of capital

EMPLOYERS ARE laying off workers for want of working capital. What happened to all that capital? Think of it as the coursing bloodstream of economic life, a metaphor used by Francois Quesnay, 18th century physician and land-tax champion who also pioneered an early macro-economics. Four vampires are sucking on those vital economic veins.

Vampire Number One is public debt. Each Federal deficit draws more blood from the private sector, adding to the national debt. The Republicans, traditional foes of public debt, have become its champions. The debt was $900 billion when Reagan and Bush took office in 1981. When Bush senior left office in 1993 the debt was $4,000 billion, a number so high we started counting it in trillions.

From 1993-2001 the pendulum swung back as President Clinton even ran a small surplus, pumping capital back into private business—they call it 'reverse crowding-out'. However, President Bush fils ran the debt up to $10 trillion or more, depending on who's spinning the numbers. This debt is a big fraction of the nation's capital—our economic blood. This helps make us vulnerable to the housing crash and cardiac arrest of today.

Reagan and Bush said they were rejecting Keynes and his 'demand-side economics', replacing them with their new 'supply-side economics'. How did they persuade themselves to turn their anti-Keynesian posture into our present gargantuan public debt? There were two leading charlatans: Arthur Laffer Jr and Robert Barro. Laffer drew his famous curve on Dick Cheney's cocktail napkin in 1974 and changed the course of history. Said Laffer, taxes suppress incentives so much that Washington can actually collect more money by lowering tax rates. He stressed how taxes "suppress" incentives to work and to invest.

Anyone who has read Henry George will relate to how taxes suppress and twist incentives. Laffer, indeed, quoted George often. Tragically, though, he got less than half of George's idea, the part he could peddle to rich men's banquet for high lecture fees. Laffer never specified which taxes suppress and twist incentives; damn them all, he said. Worse, in California he campaigned for Proposition 13 of 1978, which cut property tax rates by two-thirds, while opening the door to huge hikes in sales, income, payroll, and various business taxes. George, of course, would maintain revenues by raising pro-incentive taxes on land values and rents, while sunsetting other taxes.

The voters fondly believed they could have lower tax rates cum higher military spending, and Reagan won. Within a few years it was clear that Laffer's tax cuts actually lowered revenues, and he lost favour. Yet he lives on in the highest circles of government. Professor Jeffrey Franken of Harvard has published a series of Laffer-like quotes from Bush fils and supportive Congressmen—see Tax-cut Snake Oil from the Economic Policy Institute. Our 'new' President Obama has not radically changed the tenor of his economic advisors. Dick Cheney the person has been relegated to Darth Vader emeritus, but the malady lingers on.

The other new charlatan was Professor Robert Barro. The same Dick Cheney tersely summed up Barro's message: "Deficits don't matter". Barro calls that 'The Ricardian Equivalence Theorem', probably unfairly. Barro's point is that deficits today must mean higher taxes tomorrow. Present taxpayers and savers fully realise that, says Barro, so they will save more today to prepare for that burden of tomorrow. This higher private saving offsets government's dissaving.

It was not just Barro. Iconic Milton Friedman, the very paragon of anti-Keynesianism, chimed in with 'Why twin deficits are a blessing'. (The other deficit was our national import balance.) Friedman had risen to fame by refuting Keynes and giving us his 'monetarism' instead. Once in favour, however, with Keynes reduced to a memory, Friedman turned around and endorsed Barro's new rationale for deficit finance.

Meantime, as Bush fils more than doubled the national debt to $10 trillion or so, private savings dropped toward zero. This would seem to demolish Barro's hypothesis by the simplest observation of fact. However, this was the new age of Faith over Fact. Bush partisans instead blamed low saving on various taxes on the rich, especially the estate tax and the capital gains tax, even though both had fallen sharply from earlier years.

This Barro-Friedman rationale has a seductive element of truth, but more error. The primary effect of deficit finance is that government bonds, to their owners, are an asset, a "store of value", a substitute for real capital. George and others labelled bonds as 'fictitious capital'—they are nothing but a lien on future taxpayers, yet they swell their owners' portfolios just as though they were real social capital. In this respect they resemble
slaves in the Old South, who were a 'store of value' to slave owners, without their having created any real capital. If half the people of a nation were suddenly to enslave the other half, it would be obvious that this did not create any capital. It would create a culture of extravagance, as happened in the Old South.

It is true that some bond proceeds are used to create real social capital; and some of that capital is worth as much as it costs. To the extent that beneficiaries are free riders who see their gains (usually in rising land values) as current income they can and mostly do spend for pleasure, consuming capital. Thus voters in several counties around San Francisco Bay forty years ago rejected a plan to pay the capital costs of the monumental Bay Area Rapid Transit System (BART) by taxing the benefited landowners. They chose (or were duped into) a sales tax instead. That made the bonds just fictitious capital, a lien on future taxpayers—the capital has been spirited away, by swelling the consumable income of landowners.

Professor Martin Feldstein sees this point about fictitious capital, but only with a class bias that leads him to obvious cherry-picking. Ignoring bondholders, he singles out social security payees as owners of fictitious capital. He blames them and the whole idea of social insurance for the shortfall of private saving. It would take another article to detail the faults in his case; we spare you here, and move on.

Vampire Number Two is land value. This is invisible to most economists; their neoclassical training blinds them. Land values, like public bonds, serve as 'fictitious capital' to their owners, a store of private value that is not real social capital. They satisfy the need to hold assets without there having been any corresponding net social saving by owners collectively, present or past. Individuals may save to buy land, but the seller dissaves in the same sale. Most home buyers, in fact, finance their purchase from selling a previous home. Mere ownership turnover of a fixed quantity is not net social saving.

More, land values on the rise promote dissaving. Notoriously, we have just been through another eighteen-year cycle of homeowners heeding the siren songs of bankers to 'unlock the equity in your home' to pay for high living. Rising land values seem to the owners like current income that they can spend on current consumption. Banks have been ready to lend on them. That is the dynamic side of it. Then, after the values have risen, they stand in for wealth to some owner or lender, muting via the wealth effect their urge to save.

In the case of US bonds there may be a reverse or compensating Barro Effect, a vague feeling, weak as it is, that future taxes may rise. There is no corresponding Barro Effect with rising land values, they rise up spontaneously, on their own. They are a free gift from human fecundity and progress, economic and social. They result from our having travelled a few more years through time, into the infinite future. Infinity remains infinite. It has simply grown more highly rentable, in the rosy visions of optimists, the ones who dominate the market. Land as one's asset is not, per se, a debt that anyone else must retire.

It is true that prospective buyers are now poorer, in that they must pay more for land. This might stimulate them to save more. However they, too, share the vision of higher future rents, so they are paying more simply because they think they are getting more. Sometimes they actually are. If the price to rent ratio rises it is because of the promise of higher future rents or resale values, whether or not the promise comes true.

I pass over common stock here because a good deal of its value represents corporate ownership of real estate; because its total value has dropped below that of dwellings; because the media overstate its role in the economic scheme; and because space and time limit us: what's uppermost here and now is the housing collapse.

Vampire Number Three is housing and land values conjointed. Ever since 1913 in the USA the money invested in owner-occupied housing, and the land used for it, have enjoyed virtual exemption from the tax levied on other forms of income. Untaxed housing income comes in two forms: imputed income, and unearned increment. 'Imputed income' is the service flow that an owner enjoys from her own house. If you own six or seven houses (who's counting?—not John McKean), a horse farm, a duck blind, a ski chalet, a lakeside cottage, a wild forty for hunting or riding, a golf club membership, a beachfront, etc, all that imputed income is exempt too.

The service flow of an owner's house as a building per se is not all net income. The owner must insure against fire, operate and clean the house, rewire, replumb, repaint, reroof, remodel and redecorate now and then, and still face a day of total obsolescence and depreciation. The site of the house, ie the space and location, needs none of those expenses, and generally appreciates besides—not this year, obviously, but more years than not.

Unearned increments (aka 'capital gains') are not taxed until time of sale, if that ever comes, although owners may take out cash, tax-free, any time, by using a line of credit or other form of mortgage, whose interest is deductible. If one does sell for a gain the tax is deferred so long as you buy another home of equal or greater value within a two-year window. Most homeowners continue this chain of deferral until death, at which time all the accrued gains are exempted forever—the so-called 'Angel of Death' provision. The current crash is steep, but this writer's $30,000 house and site bought in 1972, through a chain of moves and sales and purchases and a little luck, was priced at about $1,100,000 in 2006, and now after the crash is still worth about $700,000.

In the 1920s, the first peaceful decade in the USA under the new income tax, popular music manifested the ethos spawned by the exemption of homes from the tax: 'My Blue Heaven'; 'Robins and Roses'; 'Tea for Two'. These were to be followed by the more tentative 'Just Around the Corner There's a Rainbow in the Sky'; and then, all too soon, by 'Brother, Can You Spare a Dime?'. Fast forward to 2001. Other kinds of consumer interest, as on credit cards and autos, were no longer deductible. Accelerated depreciation had been decelerated. The ENRON collapse taught investors to beware of overpaid CEOS and opaque corporate...
something 'housing' and it becomes sacred, a
arrangement has been and is bipartisan. Call
a few other states, even Kansas, that protect
and bankruptcy-safe havens in Florida and
to palaces and compounds for the super-rich,
little houses on the hillside to McMansions
to buy a home or two, it's the last and greatest
hard assets. All the investment gurus told us
accounting. The
dot.com collapse taught us
to be leery of rosy promises unsecured by
hard assets. All the investment gurus told us
to buy a home or two, it's the last and greatest
tax shelter. And so we did, from ticky-tacky
little houses on the hillside to McMansions
to palaces and compounds for the super-rich,
and bankruptcy-safe havens in Florida and
a few other states, even Kansas, that protect
residences from bankruptcy proceedings.
The arrangement has been and is bipartisan. Call
something 'housing' and it becomes sacred, a
fetish, unassailable, even if it is Hearst's Castle,
San Simeon, with its 82,000 (sic) attached acres
and seventeen miles of coastline; even if it is
the fifteen beach lots Hearst assembled in Santa
Monica for his spare wife. The result has been
a massive over-allocation of the nation's capital
stock and land to housing. We are 'overhoused
America'. There's not 'too much housing' in
an absolute sense. Many folks at the bottom
are underhoused. Thousands are homeless,
including many children. That's a matter of
unequal distribution, but it's also at the core
of modern politics. The former rabble haveecome the rationale for exempting mansions,
playgrounds of the rich, and little castles of the
middle class from taxation.

All that housing and land for the
mansioners take capital and land away from
other uses, and sequester it in unrecoverable
form. Housing pays out slowly at best, and a
corresponding thirty-year mortgage ties up
the lender's money. A bank can't make new
loans much faster than it recovers principal
from the old ones. So we reach a point, as now,
where new loans are hard to come by—to meet
payrolls, buy materials, and produce the daily
needs of life.

That's 'at best'. At worst, builders glut the
market, values drop, and the capital is not even
recovered slowly, it's down the drain forever.
Thus this housing capital is thrice frozen.
First, its 'net service flow' above expenses goes
to the lender's money. A bank can't make new
loans much faster than it recovers principal
from the old ones. So we reach a point, as now,
where new loans are hard to come by—to meet
payrolls, buy materials, and produce the daily
needs of life.

Vampire Number Three: Housing and Land Values Conjoined

B tax-depreciates the building, he normally
depreciates a good deal of land value, too,
even though the land is appreciating. Michael
Hudson and Kris Feder have shown how all
this lowers the taxable income from all the
income property in the USA to an aggregate of
zero—Repeat, zero!

Little people get a cut of the action, too,
big enough to nail down their votes, but it's the
big people who own several mansions apiece
in the choicest locations. Ever since labour got
the vote in the mid-19th century, politicians
have fostered la petite propriété as a bulwark to
protect la grande propriété from la casaille, the
dogpack, the rabble. In his 1899 Memoirs of a
Revolutionist, Peter Kropotkin noted how well
this system worked west of Russia. In a new
revolution "the workers would have against
them, not the rotten generation of aristocrats
(of 1789).... but the middle classes, which are far
more powerful, intellectually and physically,
[plus] the machinery of the modern state".

Only Russia failed to foster its middle class,
with the result we know.

Vampire Number Four is the corporation.
Corporations save a lot of their income,
instead of passing it out as dividends. It's
called internalising profits. When we read
of Americans' low savings rate, that refers
to personal saving, but stockholders let
corporations do their saving for them. It's a
way of avoiding taxes by converting 'ordinary'
income (dividends) into capital gains (stock
values), taxed at a much lower rate. FDR once
had the insight and boldness to propose a
surtax on "undistributed profits", but no
modern politician would dare; no modern
economist even thinks of it.

This would seem to create capital, but it
doesn't, it merely redirects it from individual
stockholders to corporate managers. It flows
into managerial control without passing any
competitive test. Some managers become
 glutted with more capital than they can
manage effectively. They waste some on uses
of low productivity; they use some to buy
up other firms and lessen competition; they
buy up assets of deferred yields and glue
up markets for industrial sites for future
expansion, leases for hydrocarbons, a
quifers for future water needs, and so on; they
inflate their own salaries in the outrageous
ways that evoke so much resentment (but
so little effective reform). Worst of all they
invest offshore. They export not just their new
 savings, but recovery of old capital, too, from
their Capital Consumption Allowances.

As a side-effect they become independent
of commercial banks, both as depositors and
borrowers, forcing banks out of their proper
commercial loan business whence they go
into real estate, our Vampires Number Two
and Three, discussed above.

So what are Congress and Treasury and
Ben Bernanke proposing along with the
bailout? More of the same, more 'stimulus',
reraising the debt some more, to save the
housing-land market and the banks that
have inflated it. Supply-siders, faced with
crisis, convert quickly into demand-siders;
free-market doctrinaires into dirigitistes. On
23rd October 2008, Alan Greenspan himself
admitted to Congress that deregulation had
failed. Even some kind of Federal regulation
is now acceptable to prop up a failed system,
but why?—so we can repeat the same cycle
that is crashing around us today. Our leaders'
thoughts go no deeper than that.

Thus, traditional Keynesian macro-
economic thinking, supposedly buried by monetarism, never really died; no silver stake was driven through its vampire heart. Today it has risen again to high circles in Washington. The idea that public borrowing 'crowds out' private borrowing, dominant in the thriftier 1990s, is seldom heard today. Now the leading physicians picture clogged Wall Street as a case of cardiac arrest, to be cured by what FDR, in a more rural and less medicated age, called 'pump-priming', and modern motorists call 'jump-starting'.

Tragically, this year's Nobel Laureate Paul Krugman, like other influential liberals, is reverting to the same old demand-side panaceas: "...right now, increased government spending is just what the doctor ordered, and concerns about the budget deficit should be put on hold", he wrote in the New York Times on 16th October 2008. At least Krugman's spending proposals are more egalitarian than those of Wall Street's Henry Paulson. Larry Summers and Alan Blinder, nominal 'liberals' (I have my doubts), join the chorus for deficit finance. Like Paulson, they see this as a paper shortage, to be cured with more paper. This does not bode well.

Ben Bernanke has staked his reputation and our economy on his belief that we can depend indefinitely on a glut of savings in foreign lands. This claim seems dreamy and even arrogant now that the glory days of American hegemony are fading fast away. Wall Street has already sullied its credibility by dumping bad paper on the world. The US Treasury is not far behind.

What we should be doing instead? We need to tap two huge sources of capital that the vampires have created, one public and one private. A national government can create great 'banks' of lifeblood capital and quickly transfuse it into private arteries. The principle is simple: pay down the national debt. It's called 'reverse crowding-out'. Governments can save, too, even as you and I, by earning more and spending less. The question would arise, in what shall the government invest without interfering in private markets? Thanks to our past prodigality the answer stakes us in the face: invest in paying the debt. Turn the vampire into a source of fresh blood, bringing new life and vitality to the once-hale, now pale and failing private sector.

The principle may be easy but the practice is hard: we must tax more and spend less. However the present plan is to spend more anyway, selectively bailing out prodigals and debtors and the very culprits who led us into this morass. Better to invest in the nation's own credit, while pumping new capital back into the private sector. We have to do it soon anyway, and now is the time before interest eats us alive, our creditors lose faith and withdraw, the dollar collapses, and we become history's biggest fallen braggart, bully, pariah, and moral object lesson to illustrate Proverbs 16:18: "pride goeth before destruction, and a haughty spirit before a fall".

But how, one naturally asks, can government tax more without suppressing and bleeding the very private economy we aim to revive? This leads us back to the greater Vampires defined earlier: land value, and land value cum housing. It leads us back to the part of Henry George that Art Laffer dodged talking about.

Land value, we have seen, is fictitious capital, an asset and store of value for individuals that has no real social capital behind it. By taxing it and lowering its value we do not destroy any capital. On the contrary, we raise the owners' propensity to save and create real capital to restore the missing store of value. We also raise revenues without suppressing or twisting the incentives of free markets, as generations of economists have shown and agreed.

As for how, this writer has published a catalogue of no less than sixteen ways to tax land and resource values at every level of government, using income taxes and severance taxes and even certain kinds of user charges, along with the obvious and traditional property tax. For some examples—as I wrote in the last issue of L&L—we can and should levy Netzer's "family of user charges" for preempting space on, over, and under city streets. People, cities, water districts, power companies, and others should be charged for withdrawing water from surface and underground sources, and for harnessing power drops. We should tax unearned increments to land values (mislabeled "capital gains") in the Haig-Simons-Pechman manner as they accrue. We should let each building be tax-depreciated only once, by the original builder, and land never. We should rent out, rather than auction off, the radio spectrum, adjusting values quickly and often as the market rises. We should tax polluters, rather than paying them not to pollute. For the rest of the long story see my paper 'The Hidden Taxable Capacity of Land', published in the International Journal of Social Economics.

Retiring public debts is not enough. US President Andrew Jackson did it, 1829-37, and kicked off the greatest land boom and bust of the 19th century. US Treasury Secretary and Virtual President Andrew Mellon did it, 1921-32, and repeated the experience in the greatest decade of the 20th century. Where did they go wrong? It's of no benefit to pay off the national debt if the greater Vampire, land speculation, drains off all the blood. In both decades land values swelled and working capital ran short. From 1798 to 1929 the eighteen-year cycle of land booms and crashes was broken only once, in 1911, eighteen years after the crash of 1893. What went right then? That was the only time, before or after, when the nation's treasuries depended mainly on the property tax, and there was no big run-up of land values.

What about banks and our money supply? Federal bonds and real estate have become their major assets. The pressure is on to issue more bonds, and support land values, to save the banks and the virtual-money they have created. Must we? Do the banks and mortgagees have us over a barrel? They would like us to think so. But not if we open new investment and job opportunities by untaxing work, commerce, capital, production and commerce.

The changes I propose are massive and radical, I know; but we have been massively, radically wrong, and the times call for massive, radical reforms. People will resist, will object, will twist and turn and contort in dozens of
On a number of philosophical questions I find myself holding a minority opinion; sometimes I constitute a minority of one. This seems to be the case where the term ‘natural law’ is used as an expression of ‘just’ law, or moral law. Most who embrace this meaning look no deeper than their faith in a conscious creator. They say: if only we would live according to the creator’s system of natural law, all would be well in the world.

To a degree, this belief was held by Henry George who wrote: “the evils arising from the unjust and unequal distribution of wealth...are not imposed by natural laws... they spring solely from social maladjustments which ignore natural laws.”

But I believe we should treat natural law as descriptive—as distinct from moral law, which asks the ‘ought’ questions, as prescriptive. In so doing we would avoid confusions inherited from past philosophical discourse. Some years ago, Mortimer Adler acknowledged the problem in ‘The Nature of Natural Law’: “Most people are confused by the use of the term ‘natural law’. They understand what the laws of nature are: we learn these when we study the natural sciences. But some writers use the term ‘natural law’ in the singular as if it had something to do with matters of right and wrong, almost as if it were the voice of conscience. It is hard for most to understand how a natural law has anything to do with moral matters.

“Let us first be clear that by ‘natural law’ we mean principles of human conduct, not the laws of nature discovered by the physical sciences. Many thinkers who espouse natural law see it at work in both the human and nonhuman realms, but their main interest is in its special application to man. According to these thinkers, the natural law as applied to physical things or animals is inviolable; stars and atoms never disobey the laws of their nature. But man often violates the moral rules which constitute the law of his specifically human nature.”

We are complex creatures, and our behavior is as often destructive and violent as it is cooperative and peaceful. As Locke would say, we act beyond the limits of true liberty when we exercise license—in other words knowingly behave in ways counter to how we ought to behave if guided by our moral sense of right and wrong. There may be a few exceptions, but I feel quite comfortable making the generalisation that our moral sense is imperfectly inherited, imperfectly nurtured and imperfectly applied in our decision-making and our behavior. Perhaps the problem could be lessened if our moral philosophers had reached consensus. However, as Adler reminds us, even the ancients were limited in their thinking by moral relativism: “Neither Aquinas nor Aristotle thinks that particular rules of laws should be the same in different times, places, and conditions.”

This argument opened the door for a positivist theory of the state, as described by Adler, to mean: “No action is right or wrong unless a particular community, through its positive laws or customs, decrees that it is right or wrong. Then it is right or wrong in that particular place and time—not universally.”

Our modern world everyday challenges the idea that each group of people is sovereign and has the right to form the laws of its society, independent of responsibilities as global citizens. This is both a practical observation and a moral assertion. That we each have an equal birthright to the earth and what nature provides is integral to the moral law, and for those who embrace justice as an objective, working toward it as a moral imperative ought to become a commitment of the deepest order.
Piggybacking the crisis

The global crisis opens up tremendous opportunities for significant social change, Karl Fitzgerald tells reformers—those opportunities just need to be acknowledged and acted upon.

How is the Western World being conned into mimicking late twentieth century Japan—proponent of the world’s least effective economic policies in the last fifty years? From ‘trickle down’ to print pressing, policy makers are snookering themselves. Michael Hudson argues that policies like the Bernanke Doctrine (printing money to reflate the economy—and perhaps undermining us debt via high inflation) is motivating countries like Russia, China and Iran to de-dollarise. This will have a profound effect on the us economy. With inflationary pressures to refloat the housing bubble, and lower demand for the us dollar giving its exporters a chance, the tax system will have to shift in support of productive activities. There is no other way the us will pay off its multi-generational debt. This opens up tremendous opportunities for land reformers.

For policy makers some fresh thinking clearly is imperative. A recent interview on the Renegade Economists podcast with Nicholas Francis MBE, author of The End of Charity, summed up what we need. “The market system is amoral. The tax system must guide the pricing system to reflect the values we as a society respect.” A number of key contemporary issues are pointing to this policy in an increasingly urgent manner. Neo-Keynesianism will be sent packing in due time. The debt trap is sitting pride of place as a reform amongst many left-of-centre gold bugs, but, of course, debt is primarily used to finance the purchase of land or licensed monopolies. To make use of the emerging opportunities, reformers also need to rethink their approach.

With Western debt at never-before levels, and infrastructure deficits abounding, value capture for public infrastructure will be looked at more seriously by policy makers. Climate change

The next generation will expect reformers to have piggybacked the crisis—not allowed policymakers to ride it out.

Japan

A poor Japanese taxation system oversaw the world’s biggest property bubble in the late eighties. Holding-charges on land had been less than one third of one percent since the seventies. When the bubble burst and the economy collapsed, Japan’s efforts at pump-priming were counter-productive. Short term employment was provided, but value-adding pressure was applied to neighbouring locations. This halted the correction required in the land market. As a result, people paid more in rent and had less for food and fun, savings and investment. The tug of war between neo-Keynesian beautification programs and market sentiments wishing for lower land prices stalled Japan’s economy for a record sixteen-year period.
is also playing into land reformer's hands—forcing people to adjust their behaviour in a more localised manner. Land value capture can assist by providing cheaper land and housing at a higher density, and also better public transport; and from this, allow more headroom for sustainable infrastructure like micro power generation.

Climate change will also increase the amount of marginal land, especially here in drought-stricken Australia. An article in Inside Story on 16th May 2009 pointed out that the Goyder Line (defining marginal land in South Australia) is going to move a hundred and twenty kilometres south, wiping out some of the most productive vineyards in the country. Less arable land per worker will both push up land rents and drive down worker's wages.

The process of globalisation sees Chinese firms buying up strategic Aussie locations gifted with iron ore. This has aroused controversy in political circles. But as Bryan Kavanagh wisely notes: "It doesn't matter who owns the land, it's who pays the rent!" Land rental payments can help harmonise the conflicting interests of foreign ownership and sovereignty that rear their ugly head during times of desperation. This is another debate towards which reformers can contribute.

How can land rent policies be positioned to be taken seriously? With recent examples of zero-impact activism (Geldof) and critiques of 'dead-aid' (Dambisa Moyo) abounding, we must find ways to build up practical examples of our ideals. The community land trust model, for instance, seems an appropriate vehicle for reformers' efforts (see p.20 overleaf). Such policy angles could give us both a local and global perspective.

Internal operational reforms are needed as well if reform efforts are to benefit from this unique point in time. With many land rent reformers in the twilight of their careers, their unique experiences and wisdom must be recorded and secured for the benefit of future generations.

It is imperative to put in place operational processes that work, and make careful note on why others fail. For us in Australia this could mean developing an operational manual on who our most likely supporters will be (engineers, lawyers, greens?), what our most advantageous policy perspective is (land value capture for infrastructure financing?) and how we have in the past been successful at building relationships with certain kinds of organisations. Prosper Australia is entering into a strategic review of the work ahead: it will no doubt plan out some of this, assign target markets and prioritise our projects based on our most likely supporters. A manual developed from this process would be useful for all the one-person offices run by reformers around the world.

Reformers also need to develop campaigns that both build the public's knowledge base and simultaneously mobilise public opinion. A present example is how ethical investment firms include land banking in their portfolio as if it was an ethical practice. We need to move on from letter-writing—towards campaigning: so a dedicated web page might be set up with a short text outlining the unethical nature of land speculation, with perhaps a cartoon to back it up, and a petition; emails could be collected and a database created. Stall-holders worldwide could find such a resource useful.

The general public will see a practical application of land value capture ideas. Once the advantage of lower taxes leads to export competitiveness, globalisation terminology can be used to turn business leaders towards reform. Reformers need to lobby genuine capitalists—those willing to take risks to create productive products and services. They will be the first to see the importance of capturing nature's bounty in favour of the public interest.

Another key area is the formal lobbying of politicians. How many activists know how to call up a politician and present them with a recent report? Try taking a print out of Gavin Putland's latest report on 'From the subprime to the terrigenous: Recession begins at home' (www.lvr.org.au), which depicts how it is national property tax policies rather than a sub-prime flu that is to blame for the global financial crisis. MPs must meet their local constituents and will appreciate our policy perspective for the sheer synergy it creates amongst the traditional 'silos' policy problems.

For the land reform movement to be well positioned at the end of this downturn, it must make the most of the navel gazing going on in conventional economics. Articles must be written and published in the mainstream media. The orthodox economic knowledge base has been shot to pieces (though it is always surprising to hear how many more decision-makers know about rent for revenue principles than let on). It is encouraging to see the increasing number of YouTube clips that are appearing.

A coordination of global research projects is needed to align the media with reformers' views via a constant barrage of key reports. As a matter of priority, reformers need better training in media communication, such as drafting press releases. Some land reformers have modernised their public appearance: www.renegadeeconomist.com has taken over from www.prosper.org.au and South Korea's LAND.KIMC.NET as the world's most professional looking land reform website. To be taken seriously and for their efforts to be successful, reformers need to think strategically and push their work farther in these directions.

Karl Fitzgerald is based in Melbourne and is Project Coordinator for Earthsharing Australia and Prosper Australia.

(See overleaf for Karl Fitzgerald's reflections on the community land trust model as a vehicle for reformers' efforts.)
Community land trusts

Karl Fitzgerald reflects on the CLT model as a suitable vehicle for reformers’ efforts

A COMMUNITY land trust is a communally owned property trust which has the purpose of benefiting the surrounding community by ensuring long-term availability of affordable housing, or—though mainly now an urban phenomenon—access to farmland and security to work it.

The underlying concept and principles have evolved in part from the experience of pioneering alternative landholding initiatives and were strongly influenced by thinkers such as Henry George, Ralph Borsodi and EF Schumacher. The Fairhope land trust was an early example (1894 in fact—the year Land & Liberty was launched—Ed.) inspired by George’s thinking. The first modern CLT was established on an experimental basis in Albany, Georgia in 1967.

In later years the defining features of community land trusts have become enshrined in legislation in countries across the world—both developing nations and Western countries such as the US, the UK and Australia. The battles in the UK between the political parties over who has the best CLT policy are of great interest. Most of the models currently on the table are too primitive. Some land reformers are enthused by land trust proposals where yearly land rents are paid to a land reformers’ body, at arms length from local politics, through a tough constitution. International bodies, at arms length from local politics, could be utilised to vote on any change to a CLT’s constitution.

Other policy angles could be to focus on smaller countries that have recently experienced an enclosure of their commons, such as some Pacific nations. When my partner and I recently visited Vanuatu, on a Prosper Australia fact-finding mission, we discovered a depth of knowledge by the local ni-Van (indigenous) people about the dangers of fencing off exclusive locations for private profit. Many readers will be aware that indigenous cultures are usually associated with a deeper understanding of the importance of land. We must make the most of speaking the ‘same language’.

My experience finds many sympathetic people, but the overwhelming enormity of a fundamental reform daunts many. The CLT development is beautifully poised with the price of land plummeting in so many Northern countries. A successful national reform in a place like Vanuatu, or another of the Pacific countries enduring enclosures right now, could provide the strategic evidence for reform that other countries are looking for. L&L.

(On pages 18-19 Karl Fitzgerald places the CLT model into a more strategic perspective.)

Illicit encounters

cont. from back cover

"Someone who’s put ten or fifteen years into a relationship—they’ve tried counselling, everything, they’re going to want to just walk away from it"—and that, otherwise, would be the end of it, says Freeman-Jones: "That’s where we come in: that’s what we’re genuinely intended for".

"The financial crisis has had a huge impact on Illicit Encounters", Freeman-Jones told L&L: "It’s unprecedented, and to be perfectly honest, unexpected. We’re not free—but it’s interesting what people decide to spend their money on when things gets tight. Then for a lot of people—and this is the other thing—when any market gets difficult, they do try and look for escapism, in its various forms. I do think Illicit Encounters is one of those forms: people choose to join us because it’s exciting or exotic: they don’t want to have to deal with the problems they’re having at home; and they don’t want to have to deal with finding a new house and possibly moving out into somewhere smaller.”

Thus the moral dilemma of perhaps millions of us—courtesy of bad public policy. L&L
Research?

Within organisations many or all of whose members favour land value taxation I encounter sceptics, pragmatists and fundamentalists; and waverers in-between.

Pragmatists generally accept the concept of a welfare state seeing LVT as a means of facilitating access to land, reducing under-use and dereliction, and generally enhancing economic justice and reducing economic injustice. Examples of implementation and the beneficial effects of LVT may be found in the United States, Australia and Denmark. Replacing the Uniform Business Rate in the United Kingdom (46% of rental values of property used for business purposes, with some alleviations) by LVT on such land is now Liberal Democrat Party policy.

Fundamentalists, many 'single-taxers', favour LVT being the only source of public revenue and dismantling much or all of the welfare state.

For there to be a prospect of serious progress with LVT in the United Kingdom—pragmatic and/or fundamental—there need to be plans for implementation by Government backed by credible economic research. Such research could be funded, in whole or in part, from legacies received recently by the Henry George Foundation.

Replacing locally determined business rates by UBR in the 1980s resulted in a significant shift of tax burden, from poorer local authority areas where rates had tended to be higher, to richer areas where rates had tended to be lower.

Replacing UBR by LVT on land where UBR is payable, on a revenue neutral basis, would similarly reduce property-based tax on lower valued land (to nil on the margin) with compensating increases on higher valued land.

John Pincham
Stoke D'Abernon, England

Taxation bad energy

Certain ideas have arisen in the Georgist movement over the last twenty years that cannot continue to be hidden from debate. We must in the end ask whether they are really Georgist at all.

In his review of Hell and High Water (L&L, winter 2008/9) Fred Harrison agrees with the case for "shifting the base of taxation away from people's labour and profit and on to energy..."

Such a view should trouble a Georgist. This is because it is denied by Henry George. He denies that any element or force of nature is subject to taxation. (See for example A Perplexed Philosopher, book I, chapter V). He argues that the value of land itself comes from the labour of production.

Thus, if George is right, a tax on energy is in fact a tax on labour. It is then wrong to say that a tax on energy shifts taxation away from labour. It shifts taxes onto labour.

Mr Harrison put this same view in Ronald Banks' Costing the Earth (1989).

Each resource is to be valued and its users forced to act responsibly "by paying for the privilege of using it" (p. 3). But Henry George's fundamental principle is "The right of each to the use of land, is still a direct, original right which he holds of himself, and not by the gift or consent of the others" (APP, p. 28).

Richard Giles
Ulladulla, New South Wales

In a separate communication to L&L, Mr Giles further disputes the assertions and conclusions of Dr Hudson in his recent writing in this publication. L&L is grateful for the engagement shown by the parties: however it is appropriate that any correspondence on this matter is now conducted privately between the individuals concerned.

Danger and opportunity

You ask what readers think of the proposition that Henry George was his—or our—own worst enemy (L&L, winter 2008/9).

There's something we need to know before we can answer the question. On what platform or with what manifesto did George run for Mayor of New York? I've been trying to find that out. What can the historians among L&L's readers tell us about that? It's my impression, however, that he did not stress—and perhaps did not even mention—land reform in his campaign. Rather, he attacked municipal corruption and (apparently) advocated more use of the city's parks as a way of achieving what would now be called a better work-life balance. Pretty anodyne, really.

How I hope that I'm wrong! How I hope that someone out there will set me straight! Though the answer might be in the early files of L&L itself, which after all began publication in 1894, three years before Henry George died.

In any case, however, the question of how George presented himself and his programme to the electorate is, I think, of great importance—especially now, when we are living through an economic crisis that may induce people to take our ideas more seriously. Having checked with my colleagues at the School of Oriental and African Studies at London University, I can add that the Chinese term for "crisis" actually does (more or less) comprise two parts: one meaning 'danger'; the other, 'opportunity'.

Robert Ison
London, England

Handsome and meaty

Thank you for keeping up production of L&L. It has been a wonderful source and support to me for—shall I say it?—more than fifty years. I have just received issue 1223 and it is handsome and meaty.

Mary Rawson
Vancouver, British Columbia

We welcome reader's letters. Letters may be edited for space or clarity. If you do not wish your letter to be published please clearly mark it "not for publication". Send letters to the address opposite the contents page or email them to letters@LandandLiberty.net

DIARY

5th-9th August 2009, Cleveland, Ohio
29th Conference of the CGO
www.progress.org/cgo

15th-16th October 2009, Poland
UN-HABITAT Regional Conference
The conference will focus on innovative tools for land and property taxation

21st October 2009, Copenhagen
Danish Justice Party 90th birthday
www.retsforbundet.dk

26th-30th April 2010, London
26th IJ International Conference—
the African Future
www.theiu.org

Fridays 2.30pm-4.30pm, London (all welcome)
HGF Library Group meetings and lunch
11 Mandeville Place (lunch 1pm at Pizza Express)
www.henrygeorgefoundation.org
The cat out of the bag

The Secret Life of Real Estate
by Phillip J Anderson
Shepheard-Walwyn, 2008, 464pp
h/c, ISBN 978-0-85683-263-5, £26.95

Every eighteen years we have a real estate price boom and slump. The current depression will hit bottom around 2010. Why is the cycle 18 years and why are there these rises and falls in property prices?

Phillip Anderson looks at Fred Harrison's book, Boom Bust: House Prices, Banking and the Depression of 2010, for some of the answers. Cheap land and low interest rates encourage businesses to expand production and people to buy houses. Demand for land and property pushes up prices which rise until they become unsustainable. Buyers think that house prices will go on rising, and as long as they believe this and their borrowing remains within their ability to repay, they do. When prices get beyond their ability to repay, and particularly beyond that of first-time buyers to get a foot on the property ladder, then the market will decline. If property prices get beyond their capacity to get an adequate rental return the same thing happens.

Why eighteen years? There are complex reasons which Phillip Anderson examines in detail.

Yet, the 'secret life' of real estate is not really so secret. What's secret is why this open secret is closed to our most prominent macro-economists. Ada Louise Huxtable said "the institutions that teach US elites to think about the modern world are unconcerned with teaching them to look at it'.

Fred Mason Gaffney

a quick note ...

Islamic Land Tax: From the Islamic Conquests to the Abbasid Period
by Ghaida Khazna Katbi, h/c $95 / £52.50 (released 27th October 2009)

A comprehensive survey of the institution of al-kharaj—the Islamic land tax—"providing a comprehensive and minutely detailed history of a practice which evolved from an exigency of conquest into an essential pillar of the early Islamic state."

Unlocking Land Values to Finance Urban Infrastructure (Trends and Policy Options)
by George E Peterson, p/b £18.95

Asking—"why is it so difficult to finance urban infrastructure investment, when land values typically increase by more than the cost of investment?"—this practical guide "is designed to help expand the role of land-based financing in urban capital budgets".

The Silver Bullet NEW EDITION
by Fred Harrison, 2nd ed, p/b £10

The rt's first monograph in its global crisis series—looking at poverty—goes to a second edition. The book is receiving plaudits far and wide. Award winning actress and campaigner Vanessa Redgrave has said: "I admire Stiglitz, and now I admire Fred Harrison too. My promise—you will be glad you have read this book".

Under the pressures of reflection, he refuses to give in to special interests and employs advisers from all walks, including those who you would expect to block reform due to perceived loss of power and wealth. Importantly, for anyone who feels they would lose by rent for revenue reform, it's written credibly to show that they too can be winners—and through more than material success.

The story line is evocative in that it asks questions more than it provides solutions. What is location value? Who creates it? Who does it belong to? The approach is excellent because it asks people to think hard about what is really going to produce the...
most wealth for all. Given how we are dealing with the current crisis, surely this is an approach to be heeded.

The message is clear for the already informed. For the rest of us, greater benefit might have been had by repeating the message more often, emphasising links to current fiscal policy failures.

Many short chapters made it easy to read. I trust a copy has been sent to the White House.

Robin Smith

John Stewart's recent fictional work elicits strongly contrasting responses from readers. Reviewing The President on AMAZON.CO.UK, Steve Bond declares the book "breathtakingly bad... I was half way down the first page of the first chapter when it struck me that something was wrong... John Stewart is a terrible, terrible writer. His characters speak unlike anyone in real life—not in a good way, not in a 'pushing the boundaries of dialogue' way, just in a 'I can't write dialogue' way."

Such aesthetic critical responses, in themselves, might be disregarded, given the book's educative intention. However Bond isn't finished in his criticism. He continues: "...All this makes the book pretty much unreadable, but don't worry, you're not missing much in the way of plot either. The central political idea is that certain plots of land gain enormous value by virtue of the community that surrounds them, and that this value is not earned by the owner of the land but by the community itself.... It does not strike me as a particularly earth-shattering observation, but to the President of this book it's Das Kapital in one paragraph."

Hmm. Regarding the communication of his message, Bond says: "John Stewart doesn't want you to miss anything. That must be the reason he spells out everything so didactically, so there's no chance of ambiguity or, God forbid, subtlety."

So we need to ask, is Stewart's book successful because it has brought land value capture ideas to Bond's attention: or is it a failure because it has presented him with the ideas but failed to persuade him of their importance? Then again, is a subjective 'literary quality' itself simply a 'deal-breaker' for would-be readers?

Why not read the book and let L&L know what you think.

An Exposition Of The Land Tax: Its Assessment And Collection (1870) by Mark A. Bourdin
h/c £25.95, p/b £19.95 / $40.95

Property Rights and Natural Resources by Richard Barnes
h/c £60 / $110

Considerations Upon a Reduction of the Land Tax by Robert Nugent Nugent

The Silver Bullet DVD by the t/v, 66

The t/v's new two-part documentary film gets to the truth about poverty and human rights. With an introduction by Fernando Scornik Gerstein, the 23 minute film sees Fred Harrison travelling through southern Africa to understand why the good political intention, aid money and rhetoric are failing to make poverty history.
Illicit encounters

Moral dilemma linked to bad fiscal policy

House price boom-bust caused by bad taxation policy is directly linked to sexual affairs that can result in family breakup and divorce, according to the experience of one on-line business. IllicitEncounters.com, the UK's largest extra-marital dating site, believes there is a direct connection between house prices and the number of men and women seeking affairs.

Illicit Encounters aims "to create a safe and non-judgmental environment, where married men and women can meet each other." In the six years since it was set up, the dating site with a difference has seen a steady take-up of its services. But by far the biggest membership jump, it says, has been in the last twelve months—from 180,000, up to 310,000 profiles. The company puts it down to the financial crisis and housing crash. The question for the academics will be whether the phenomenon is linked indeed to house price blues, or instead perhaps to some other aspect of the global economic malaise—like debt difficulty, investments fears, or job loss.

Ro Freeman-Jones, spokeswoman for Illicit Encounters talked exclusively to L&L about the site's experience. She said that recently they've had an influx of people registering on their site who specifically say that they're not divorced and not married but are still living together. She thinks that's odd.

"What this suggests to me is that there are quite a lot of people who, in previous circumstances, may have just decided to break up with their long-term partner, and go and find somewhere else to live on their own", says Freeman-Jones—"but, in the current financial situation that most people are living in, they can't afford to do that. So they're forced to look for new alternatives."

"WARNING Not everyone is suited to having an affair. They are not an alternative to working on or ending a marriage. Not all affairs have a positive effect on a marriage—some can be very damaging. Always consider other people and if you are going to have an affair, please select your partner wisely." Illicit Encounters

Worries over an uncertain housing market may be conditioning people to stay-put, and not up-sticks and leave. "The current housing situation means that a lot of these people previously might have found it easier to find a flat somewhere, and now can't. They're in a very cushy financial situation with their partner, where their rent's cheaper because they're living together—and the prospect of moving out is something they wouldn't dare think about at the moment."

Instead of calling time on failing relationships, it seems people are propping up the facade of them, and then going out and having affairs. "I do think people tend towards services like ours if they find it particularly difficult to get out of relationships", says Freeman-Jones. She stresses that this is not what Illicit Encounters is built for: it's not a website for people aiming to break up their marriages.

cont. inside on p.20
Western society now has two classes: the people who enjoy the windfall of unearned wealth from economic privilege—foremost the land value under houses—and those others who do not. The rest is detail. Welcome to the 21st century's New Urban Landed Class.

THE OTHER PEOPLE

Working Class—no more
Middle Class—no more
Upper Class—no more

Saving community
—the future value of crofting

Render unto Caesar: politics in the pulpit

Family spending power and the sustainable economy
cover story

The old class distinctions are dead, today's classless society a hallucination: the New Urban Landed Class trumpets its power.

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The UK's Liberal Democrats seem a renewed force in British politics. Vince Cable may be a reason why.

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The politics of the pulpit: battleground for reform?

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What's the connection between family spending power and a profoundly sustainable national budget?

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Holistic land management at the margins—a catalyst for community revival?

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The law of gravity acts upon human life whether or not we acknowledge or understand it. The action of natural law within the social sphere is a less widely considered phenomenon.

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Bucket or water pistol—what'll it be?

news in brief ...

Mongolian gold Discovery of the Oyu Tolgoi deposits is set to transform Mongolia. Thirty-two million tons of copper and twelve hundred tons of gold will deliver eighty per cent of the rural country's new economy. Peter Morrow, CEO of the Khan Bank in Ulaanbaatar, told Bloomberg: "The transformational power of the Oyu Tolgoi mine cannot be understated". Finance Minister Sangajav Bayartsogt is establishing a sovereign wealth fund to distribute a 1.5m tugriks ($1,060) dividend to every citizen. The government is studying the Alaskan example.

Normality Financial services website MyIntroducer reports the UK "market stabilising but not yet normal". Oh, the sector's denial! "The old thinking, the neoclassical Washington Consensus policies, have really been discredited, in fact disproved, by the reality of what has happened", says Southampton University's Chair in International Banking, Prof. Richard Werner, talking at Doshisha Business School: "We must abandon an economics that is totally unrealistic for the reality on this planet." Post-crisis—'normality' is the last thing we need.

Kenya Kenya's new Cabinet-approved National Land Policy has been published. The document varies from the draft presented for the Parliament's approval in 2008. The approved policy includes constitutional provision of a "sound framework for the taxation of resources such as land to facilitate efficient utilisation and distribution of land rights", and the establishment of "an appropriate land taxation system to discourage land speculation and mobilise revenue". To access the approved policy document go to www.Ardhi.go.ke (See also L&L winter 2008/9 & summer 2009)

Liberty in the UK The annual Economic Freedom Index "measures the degree to which the policies and institutions of countries are supportive of economic freedom". Top of the list of the 141 countries measured this year is Hong Kong, followed by Singapore and New Zealand. Bottom comes Zimbabwe, preceded by Myanmar (Burma) and Angola. The UK's scores might give Gordon Brown cause to reflect: 'security of property rights' in the country declined over the last year from 8.69 to 8.37, 'freedom to trade internationally' declined from 7.77 to 7.56.

Correction In last issue's news item 'Glasgow goes for land tax', the illustration stated that Band E tax bills would be "96% less". It should have read "96% more". The corrected illustration is available in our online edition from www.LandandLiberty.net

THE EVIDENCE FOR THE DEMISE OF CLASS IN THE WEST WAS ALWAYS MUDDY. WHILE THE OLD CLASSES MAY STILL CONTRIBUTE TO PERSONAL IDENTITY AND SOCIAL ENVIRONMENT, THEY NO LONGER DEFINE OUR ECONOMIC MEANS. A NEW CLASS DIVIDE NOW GIVES THAT DEFINITION: IT CUTS RIGHT ACROSS AND THROUGH THE OLD DIVISIONS, AND COMES FROM THE WEALTH OF URBAN LAND VALUE.

THIS IS NOT TO SAY THAT LANDED PRIVILEGE HAS NEVER BEFORE EXISTED. MOST PEOPLE ARE WELL AWARE OF THE HISTORICAL HERITAGE OF THE OLD LANDED CLASSES. FROM THE MODERN AGES' EUROPEAN ARISTOCRACIES AND NEW WORLD NOUVEAU RENTIERS, BACK THROUGH HISTORY AND BEFORE, TO ANCIENT CIVILISATION, THE ABILITY TO CAPTURE—AND ENJOY FOR PRIVATE ADVANTAGE—THE VALUE OF THE COMMON WEALTH OF LAND AND RESOURCES, HAS ALWAYS BEEN THE MARK, PREY AND PLEASURE OF INSIDIOUS LANDED PRIVILEGE.


LANDB&LIBERTY—PUTTING PEOPLE AT THE HEART OF ECONOMICS.

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Isn't it ironic?

The £8.6bn mega-development company British Land is currently reporting "renewed bidding competition" and a "clear improvement in investor sentiment" with 'strengthening yields' for land speculation. Ironically, the company was established with a distinctly different concern. In 1856 it was an offshoot of the National Freehold Land Society set up by Liberal reform politicians Richard Cobden and John Bright. To vote at that time it was necessary to be a male landowner: the Land Society's purpose was the extension of the franchise, which it facilitated by buying up land and reselling it in small plots to the people. With the extension of the franchise in the late 1800s, British Land began to operate as a normal business; today half the company's portfolio is invested in retail property, including shopping centres and supermarkets that have been bought from and are leased back to the retailers.

World Bank gets it right in Pakistan?

Is the World Bank backing progressive reform of Pakistan's tax system? According to the Business Recorder, the Bank's 'Pakistan Tax Policy Report' sets out new proposals for the tax systems employed by provincial governments.

The present system is based on 'declared transfer values'—payable only when property is sold—and therefore a drag on the market. But "comprehensive reform of the taxation of the rural sector might pull back from taxing property transfers altogether. The rationale for this proposition is straightforward. Provincial taxes might be seen as a payment for public services received. It seems more reasonable to extract this payment yearly rather than at the time of a transfer." Urban land would continue to be taxed under the present UPT.

The World Bank says the first step of restructuring would be for mutation fee, registration fee and stamp duty to be "combined into a single tax, levied on the basis of the market value of land"—according to the Business Recorder.

The Bank is reported to believe reform could "more than double rural land tax revenues".

Co-operative policy

At its 2009 annual conference the UK's Co-operative Party has adopted land value taxation as part of its policy platform.

The party, although legally a separate political organisation, is closely affiliated with the Labour Party and often regarded as effectively a lobbying wing of it.

MonopolyCityStreets

Hasbro has teamed up with Google Maps to create an ultra-realistic game of Monopoly played on real world maps. Bidding means that at the time of writing, L&L's shared Piccadilly address is worth some $2.5m; nearby Lloyd Street (or rather the land beneath) would be worth $1.4m—were it not for the bio-hazardous building on it, which crashes the separately calculated rental to a negative $333k. The game demonstrates the workings of land value. The game is free to play until January at www.monopolycitystreets.com

Emerald taxation

The Irish government is finalising its €90bn plan to tackle its banking crisis. A key element of the National Asset Management Agency proposal will see a windfall tax of 80% on profits from land value gains following rezoning decisions—"to ensure that speculation is not rewarded in the future", reports the Irish Examiner. The Green Party claims credit for the idea.

The Irish Planning Institute "strongly welcomes" the windfall tax. It believes the NAMA Bill "one of the most critical in the state's history", because "landowner and developer profit remain the sole objectives of construction" and had "contributed to the current financial problems of the state"—according to the Examiner.

But the Belfast Telegraph reports Labour leader Eamon Gilmore saying the windfall plan was "too little too late, because landowners have already got away with the massive profits made during the bubble." L&L is concerned plans may be ill-cast: the new tax must take the form of an annual charge on the market value of all land.

Feeding the hungry

The global food 'crisis' is raising the price of food. In the age of temperature controlled air freight, foreign-controlled producers are buying into local land markets in order to secure their production. It's a situation ripe for the speculators—sensibly shy for the moment of the Western property market. According to BluSky Investments: "Some £8 billion of western institutional and government funds have been invested in agricultural land over the past 2 years alone, acquiring vast tracts of poor countries' farmland".

HGF report

AGM: The Henry George Foundation's Annual General Meeting was held at Mandeville Place on Saturday 26th September. Gathered members enthusiastically received and discussed reports presented by officers and volunteers about the activities and finances of the Foundation during the past year, and on plans for the coming 12 months. Treasurer John Cormack was able to report on a healthy financial situation where operating expenditure had been more than covered by the revenue received during the year from donations from members, supporters and friends. These funds in part offset the loss in income from—and value of—the Foundation's savings and investments, which were not immune from the overall decline in financial markets during the past year. Executive Chairman David Triggs was pleased to report on an eventful year for the Foundation—with more outreach activity in the form of publications, courses, meetings, conference participation and engagements with other organisations, politicians and Parliament taking place than for many years past. Members were pleased to learn also of the programme of courses, library group meetings and talks planned for the coming months.

Economics course Following the last year's successful educational courses, a new 10-week course on political economy based on Henry George's Progress & Poverty starts on the 9th October. The course will be presented by Executive Chairman David Triggs and held on Friday evenings at 11 Mandeville Place, London. See www.henrygeorgefoundation.org for further information.
Houses of wealth

Vince Cable MP's proposal to tax expensive houses has provoked a political and media backlash

IN A party conference move that surprised even front benchers and party confidantes, Vince Cable, Deputy Leader of the UK Liberal Democrats and his party's shadow Chancellor, has launched a proposal for a 'mansion tax' on valuable properties. Cable is judged by political observers to want to pull his party closer in the direction of land value taxation.

The floated policy would apply a new charge of 0.5% to the total value of properties above £1m—which it is estimated would raise £1bn a year. The increased yield would be used to raise tax thresholds for the lowest earners with annual incomes below £10,000—enough to make them tax-free.

Mr Cable first tested the idea in the LibDems’ Tax Commission in early 2007—after the party’s ‘Axe the Tax’ campaign against the existing Council Tax, and the simultaneous push for a local income tax, had failed to find political support. However, before the Commission’s final drafting of its new tax policy, Dr Cable’s proposal was defeated.

A source within the party has revealed to LandSLiberty that its Federal Policy Committee is “still arguing bitterly over local income tax and wanting more ‘Green Tax Switch’—mainly to lift more out of income tax altogether”.

Against that background it might be unsurprising that leading party colleagues criticised Dr Cable heavily for his statement. Many felt they should have been consulted in advance and that they had been left exposed on the policy detail and were unable to answer media questions.

ALTER, the LibDem party pressure group campaigning for increased taxes on land values, broadly favours Cable’s proposal, but prefers the linking of scrapping university tuition fees with a national tax on land values. Other reformers however are less sympathetic: LibDem activist and LandSLiberty contributor Jock Coats comments on his blog that the proposal “threatens to undermine a broader implementation of a proper land tax”, calling it a “measure that will act to galvanize opposition”.

LandSLiberty
Render unto Caesar...

Secular reformers agree in policy how to 'render unto Caesar', and to God—distinguishing dues to society and the individual. But in daily life and practice, boundaries between politics and religion are often hard established, ill positioned and well defended. Methodist land reFormer George Curtis reflects on being accused of "an excessively political bent" in the pulpit

until the late nineteen-eighties, and again from 2003, I served as a Methodist lay preacher around Brigg in North Lincolnshire. I have given much of my lifetime in the voluntary service of the church, from which I readily acknowledge I have received huge enrichment in the spiritual sense. Over the years, my sermons embodied my convictions about what is just and unjust property, in the light of moral law and of Scripture that declares "the earth is the Lord's" [Psalm 24: 1]. But in 2007 complaints were received with regard to my conduct of worship—that I was guilty of "an excessively political bent". On refusing to confine the subjects of my sermons to the Lectionary, I was suspended: I believe property reform in the general public interest cannot be carried forward by anything short of the religious conscience.

I would like to account for my position. I take for my text Matthew 7: 12—"Therefore all things whatsoever ye would that men should do to you, do ye even so to them: for this is the law and the prophets."

On Remembrance Sunday the hymn 'Thy kingdom come, O God, Thy rule, O Christ begin' will have been sung. The hymn echoes words of John Wesley, the founder of Methodism, at the close of his sermon 'Blessed are the pure in heart': he said—"O God! How long! Surely all these things shall come to an end, and the inhabitants of the earth shall learn righteousness. Nation shall not lift up sword against nation, neither shall they know war any more." Jesus, in our text, speaks of their strength, heart, mind and soul, and their neighbour as themselves.

I need to speak of the sermon that I assume led to complaints of "an excessively political bent" upon my part. In doing so, first I wish to refer to a book entitled The Rule of Law, which I read prior to the preparation of the sermon, and also to the book's author. I found myself interested in the book because I once attended a conference at which the author spoke and later in the day joined a workshop that he led on the subject of religion. The author was the late Sir Kenneth Jupp. His book was published posthumously in 2005 by his widow, Lady Jupp, and family. Jupp was born in 1917, awarded the Military Cross for bravery in Italy in 1944 and became a barrister in the Temple of London and a leading parliamentary bill draughtsman before then becoming a High Court Judge in the Queen's Bench Division. As a High Court Judge, I believe his dedication in the administration of British law was of the highest order. I felt some affinity with him upon a much smaller scale because for a number of years I served upon the Brigg bench as a magistrate, and as a member of the Police Committee of the former Humberside County Council.

The Declaration of Independence states "all men are created equal". That must have rung very hollow for Jefferson's 154 slaves on his estates. The Founding Fathers' preaching did not apply in practice.

County Council. A Judge or magistrate is required to justly pass sentence upon those who offend the law. They administer the law. They do not make the law. Laws are placed on the statute book by Parliament. For a Judge or magistrate to attempt to make the law (other than by judicial precedent) would, I think, mean it could rightly be said of them that they were guilty of "an excessively political bent".

When Communism fell in Russia, Jupp joined a party of academics who visited the country and addressed the State Duma, urging its leading Parliamentarians not to adopt the social institution of private land ownership that exists in the West. The delegation advised that state land and mineral resources should not be sold, because: 'You don't sell your mother'.

Jupp's book appeals to me because of his obvious desire that all human law should be in conformity with the law of the Creator, and that all the inhabitants of the earth shall learn righteousness. In this he makes clear that he believed every human being born into this world is endowed with natural rights bestowed by their Creator, revealed in nature and in Scripture. He refers to those natural rights set out in the United States Declaration of Independence—adopted on the 4th of July 1776—and upon which alone legitimate government can rest.

He quotes from the Declaration, which states that: "all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men". While he highly commends these natural rights embodied in the Declaration, this hardly can be said of the leading founding fathers who drafted it—all extensive landowners. He refers to Thomas Jefferson, the Declaration's principal author.

Jefferson had two large estates, one of them extending to 5,500 acres. He had children by a slave mistress. He had a hundred and fifty-four slaves upon his estates. He sold slaves to pay off his debts, yet when he died he was a hundred thousand dollars in debt. The Declaration must have rang very hollow for the more than two million slaves in the us at the time it was signed. Not one of them was set free by it. In theory, Jefferson and his fellow founding fathers were opposed to slavery, but their preaching did not apply in practice. Slavery remained an American institution for nearly another century. It took the holocaust of the American civil war to secure the slaves' emancipation in 1865.

Kenneth Jupp says two important natural rights were missing from the Declaration. One was that those who labour should enjoy the full fruits of their labour. The other was the failure to include the divine injunction to hold land in common for all mankind. These omissions meant that, when the slaves were finally freed, the landless black was in many ways a good
deal worse off, without an owner to take care of them as their property, than when a slave. When too old to work, they could be, and often were, left to starve. Sir Kenneth writes: "Even today, the distinction between the landed and the landless remains as evident in the US as anywhere in the world".

I come to my use of that part of Jupp's writings that I can only assume resulted in the complaint of "an excessively political bent". Sir Kenneth considers what is known as 'The Old Covenant'—the first five books of the Bible, which have become known as the Torah. (The name is also used for the entirety of Judaism's founding legal and ethical religious texts.) If the people choose to obey the Torah, then God promised to make them a prosperous nation and give them a land in which to dwell. Jupp says it is a remarkable fact that in spite of the hostility often displayed between them, Judaism, Christianity and Islam share and ultimately depend upon the teaching contained in the Torah and the law and the prophets.

To the Jews, together with the Psalms and the Talmud these are the holy books. As to Christianity, Christ himself said he had come to fulfill the law and the prophets, and the Torah, which is the most important part of them. He added: "For verily I say unto you—He could not have been much more emphatic than that—"Till heaven and earth pass, one jot or one tittle shall in no wise pass from the law, till all be fulfilled." [Matthew 5: 18]

As for Islam, A J Arberry, Oxford's former Professor of Arabic, in the introduction to his translation of the Qur'an, says many passages state that the book had been sent down confirming what was sent before it—by which was meant the Torah and the Christian gospels. The content of the Jewish and Christian scriptures, excepting such falsifications as had been introduced into them, are taken by the Qur'an as true and known.

There is one portion of the Torah, if taken seriously by all the teachers of the three religions, that would end much of the animosity between them. Underlying the whole of the Torah is the warning God gave to Moses in the desert of Sinai: "The land shall not be sold for ever: for the land is mine, for ye are strangers and sojourners with me"—or settlers, tenants and guests in other translations. [Leviticus 25: 23]

A former chief Rabbi Dr J H Hertz comments: "This verse enunciates the basic principle upon which all these enactments [of the Torah] rest. 'The earth is the Lord's' [Psalm. 24: 1], and His people hold their lands in fee from Him. The ground itself, then, was not a proper object of sale, but only the result of man's labour on the ground". (The Pentateuch and Hafotarahs) Dr Hertz, a notable biblical scholar, is by no means alone among Rabbis in this view.

The Christian Church, possibly because they are, or were, extensive landlords, have rather avoided referring to this. Moses and Joshua, however, during the campaign to conquer the Promised Land, more than once had been instructed by God to share the land equally among the families, as the Torah states. Yet, however way the land is equitably divided initially, changes inevitably occur during the course of a generation or two. Some families will have grown larger. Others will have declined. Some will have suffered loss of crops or animals due to storm, drought, disease and other calamities, and have been forced into debt, poverty and slavery. So the Torah ordained a 'Jubilee': it was called "the acceptable year of the Lord". [Luke 4: 19] This would occur every fiftieth year. The trumpet of the Jubilee would sound: all debts would be cancelled; all slaves would be set free; and all lands sold would be returned to the original family, Liberty, and the return of the family inheritance, was the substance of the Jubilee. While God gave these instructions to Moses, in the centuries following, the Jubilee appears to have gone by default. So God sent his prophets to warn against disobedience of the Torah. These included Isaiah, Jeremiah and others. In the parable told by Jesus of the lord of the vineyard, who let it out to husbandmen, the prophets were sent away empty, some beaten, some killed. The vineyard owner said he would send his own son—"...they will reverence him". The husbandman said no: "let us kill him, that the inheritance may be ours". [Luke 20: 13-14]

So Jesus spoke in the Nazareth synagogue and reminded his hearers of the Jubilee. The book of Isaiah was delivered to him: he opened it and found the place were it was written: "The Spirit of the Lord is upon me, because he hath anointed me to preach the gospel to the poor; he hath sent me to heal the brokenhearted, to preach deliverance to the captives, and recovering of sight to the blind, to set at liberty them that are bruised, To proclaim the acceptable year of the Lord". [Luke 4: 18-19] He handed the book again to the minister.

Jupp says Jesus stopped abruptly, dramatically, in mid-sentence. The sentence complete from Isaiah would have been: "To proclaim the acceptable year of the Lord, and the day of vengeance of our God". [Isaiah 61: 1-5] The day of vengeance of God would become relevant only if they rejected Christ's teaching. Yet they did reject his teaching—and as Jupp adds: "It is still rejected today".

Although at first all bore him witness and wondered at the gracious words that proceeded out of his mouth, this favourable reception did not last. Those that heard him were ultimately filled with wrath: "...and thrust him out of the city, and led him unto the brow of the hill whereon their city was built, that they might cast him down headlong". [Luke 4: 29] But, passing through them, he went on his way.

Why the fury? Was his preaching seen as an attack on the property classes and of "an excessively political bent"?

Jupp says that the essential requirement of the Torah is that the land be seen as belonging to God and not to any private individual—"The earth is the Lord's and the fullness thereof"—this fullness intended by God for the support of all mankind. Under the true rule of law, the rule of God ("Thy kingdom come"), there can be no landlessness and, therefore, no poverty or oppression.

Jupp echoes other Christians before him, such as Dr Thomas Nulty, Bishop of Meath in Ireland from 1864 to 1898. In his essay 'Back to the land', published in 1881, Nulty argued for collecting as public revenue the community-created values that attach to land (and which were not due to the labour or capital of the landowner), with the abolition of taxation levied on labour and capital. He saw this as the application of the principle of the Jubilee in a modern industrial society: others have explained how this could be implemented.

In this way the impediments to the two natural rights which Jupp saw missing in the Declaration of Independence would be removed—providing labour with the full fruits of its effort and establishing the divine injunction to hold land in common for all mankind.

It would seem that in saying this from the pulpit I am regarded as of "an excessively political bent". If that is true, could the same be said of Isaiah and the prophets when they accused the princes of eating up the fruits of the vineyard and grinding the faces of the poor? Could the same be said of Jesus when he preached at Nazareth and said—of the Scribes
and Pharisees who claimed: "...If we had been in the days of our fathers, we would not have been partakers with them in the blood of the prophets"—"ye are the children of them which killed the prophets" and "Ye serpents, ye generation of vipers, how can ye escape the damnation of hell?" [Matthew 23: 30, 31, 33]

Could it be said of the founder of my Church, John Wesley, who is said to have spoken out against the institution of slavery when it was a settled, recognised state of social existence and when hardly anyone possessed the public spirit to condemn its character?

I believe rebellious Primitive Methodism in the early twentieth century sustained the spirit of the local preachers and chapel stewards I knew, who provided local village leadership of branches of the Agricultural Workers Union.

It was earlier, in 1832, that six Dorset farm workers from the village of Tolpuddle— including their leader George Loveless, who was a Methodist local preacher, and another local preacher—were transported in convict ships to penal settlements in Australia, for the offence of forming what was called a trade union. Were these men, the Tolpuddle Martyrs, guilty of "an excessively political bent"?

After much suffering in detention the Martyrs received a pardon. But only one of their number—James Hammett, 22 years old when transported, married with a small child—returned to Tolpuddle. He was the last of the Martyrs to leave Australia, in 1837, the others having been released the previous year and emigrated to Canada. When the first Union of farm workers was formed in 1872, it was decided to make a presentation to James Hammett. No place in Tolpuddle could be found for the meeting, although there was a local Methodist chapel. The presentation was held in a field two miles from the village.

Later, old and blind, refusing to be a burden to anyone, James Hammett went into the workhouse to die. He was buried in the Tolpuddle churchyard and the Squire stood in his hands the print of the nails, and put my finger into the print of the nails, and thrust my hand into his side, I will not believe". [John 20: 25] I think whoever said that could have been any one of them who had not been present when Jesus first arose and came and stood in their midst.

But Scripture is full of promise and consolation for those who so suffer. Jesus said, "Blessed are they which are persecuted for righteousness' sake". [Matthew 5: 10] He added: "Rejoice, and be exceeding glad: for great is your reward in heaven: for so persecuted they the prophets which were before you". [Matthew 5: 12] The Psalmist also said: "Blessed is the man that walketh not in the counsel of the ungodly, nor standeth in the way of sinners, nor sitteth in the seat of the scornful. But his delight is in the law of the Lord; and in his law doth he meditate day and night". [Psalm 1: 1-2] So, I believe, that meditation for those for whom to say "Lord, Lord" is not enough, goes on to wrestle against powers whereby God's Will may be done on earth as in heaven, and:

"Therefore all things whatsoever ye would that men should do to you, do ye even so to them: for this is the law and the prophets". Lk.

George Curtis has been a life-long active Methodist, trade unionist and reformer.

(Passages from the Holy Bible are from the Authorised King James Version.)

"Render unto Caesar the things which are Caesar's, and unto God the things that are God's" [Matthew 22: 21] has been given various interpretations and put to different uses. It is taken to support the constitutional separation of church and state and quoted in rejecting 'politics in the pulpit'. Land reformers interpret the formula in terms of ethical property rights and taxation": in the former, in distinguishing between what properly belongs to the community and what property belongs to the individual; in the latter in rendering to the community the economic value created by the community (by the public's presence and investment) and leaving within private endeavour (the individual and business) the full return on its labours and investments. In other words, Jesus' direction requires the principled distinction of the public sector (Caesar—the secular State) and the private sector (God—the holy Individual human being).
An income to sustain life

Post-crisis there's an ever more urgent need to build a sustainable economy, argues Prem Sikka

With erosion of incomes, many have turned to debt, something also encouraged by the relentless expansion of credit. The UK is the debt capital of Europe and its economy has been fuelled by debt. Personal debt in the form of loans and credit cards is around £1.4 trillion, and is bigger than the UK gross domestic product. The 'buy now, pay later' culture cannot easily be sustained, especially as banks have responded to the current financial crisis by restricting credit.

Neither can people sustain the economy by dipping into some reservoir of wealth. The official UK statistics show that 50% of the UK population owns about 7% of the wealth. This figure includes the value of their dwellings. However, if the value of dwellings is taken out of the equation, 50% of the population owns only about 1% of the wealth. Looked at the other way, 1% of the population controls 34% of the wealth. Just before the current recession, the UK had a negative savings ratio. As people are now cutting back, the ratio has risen to around 4% but this has been accompanied by record business bankruptcies.

We cannot easily expect pensioners to sustain the economy as many face harsh choices between food and heating. With pension credits, the basic state pension adds up to less than 30% of average earnings, compared to the EU average of 60%. Two million pensioners live below the poverty line. With many employers withdrawing good pension schemes, future pensioners will be ever worse off unless radical steps are taken to redistribute wealth.

Many rich people and corporations are opting out of taxation by using tax havens and complex tax avoidance schemes; though they are quite happy to accept the tax-funded benefits of security, policing, social infrastructure and massive public subsidies (eg. banks, agribusiness). The Treasury is estimated to lose nearly £100 billion a year through complex tax avoidance schemes.

Under the weight of pressure from rich people and corporations, the UK government reduced capital gains tax from 40% to 18%. Corporation tax has been reduced from 53% to 28%. A National Audit Office report stated that almost one-third of the UK's largest 700 companies paid no corporation tax in 2006-7. Governments have found it easier to shift taxes on to labour, consumption and savings, which has inevitably eroded the purchasing power of ordinary people. Prior to the 2009 budget, the poorest 20% of the population paid nearly 40% of their total income in direct and indirect taxes, compared to 34.8% for the richest 20%.

Whichever way one looks there are enormous problems in building sustainability. We can't go back to a debt-fuelled economy. The unemployed won't have enough money to spend. There isn't a great reservoir of savings to sustain the economy. Building the spending power of ordinary people, especially the least well-off, should be a major priority. This can be done by increasing the national minimum wage. I have also advocated the idea of 'maximum wage'—say ten times the median wage in any company. That means that if directors want more they also have to pay other wealth creators—the employees—more. This would result in improved distribution of income.

Governments have to adopt progressive taxation policies to shift the tax burdens. No one on the minimum wage should pay income tax. That would mean raising personal tax allowances. Since the wealthy would benefit from that too, the top rates of tax and higher income tax rate thresholds should be adjusted to claw back the benefits. The state pension should be raised to average EU levels. An immediate increase of 20% in the state pension would cost around £6 billion. That could be financed by removing the artificial upper limit on national insurance contributions: currently income above £84 a week does not attract any NIC.
The ending of the Iraq and Afghanistan wars would raise nearly £10 billion, providing resources to increase support for the unemployed, so that they too can help to build a sustained economy. Rather than subsidies to railway and agribusiness, the government should boost manufacturing, science, technology and green industries to build skilled and semi-skilled jobs.

Revenues for tax cuts and public projects can be found by clamping down on the £100 billion tax avoidance industry. The tax base should also be diversified. Alcohol and cigarettes are taxed because the products are harmful. Gambling is also taxed. These two elements are combined in financial products, such as derivatives, which are central to the current crisis. The global face value of derivatives is around $1,148 trillion: a modest 1% tax would yield nearly $11 trillion—a sizeable chunk of which would accrue to the UK.

None of the above would have an easy ride as vested interests used to getting their way would fight tooth-and-nail. But a vigorous debate is long overdue. The Welfare State alone cannot manage the consequences of inequalities arising from the maldistribution of wealth and income. How long before the deepening divide between the 'haves' and 'have nots' persuades some people to opt out of the system altogether, or lead to prolonged social unrest? This must worry even the most ardent of free-marketeers: sustainable economies require social stability and cannot entirely be built on debt. Without adequate disposable income people cannot spend and capitalists cannot make profits, which in turn has consequences for jobs and everything else that flows from that.

Prem Sikka is Professor of Accounting at the University of Essex's Centre for Global Accountability.
What is crofting?

Crofting is a social system unique to the marginal, rural highlands and islands of Scotland. Crofting is characterised by a particular statutory form of secure and regulated land tenure, strong and cohesive community bound by kinship and common working, small-scale food production, and other economically marginal enterprise. Individual crofts, enclosed on the better ‘in-bye’ arable land, are small holdings typically of five to ten acres (but occasionally much larger), usually developed with a ‘croft house’. Individual crofts are held and worked by ‘crofters’ under ‘crofting tenure’—a unique form of leasehold—while remaining the nominal property of a crofting landlord. The crofting system distinguishes between the use and rental values of land—it then conveys the former by secure tenure to the indigenous occupant of a property, and effectively extinguishes the latter by strict market and rent control with token nominal rents.

Crofts are organised geographically into named ‘townships’. Attached to these are ‘common grazings’ on the poorer quality surrounding hill ground, and other common resources. Individual crofters have rights of usufruct (limited use) over these—rights managed by a committee of township shareholders. Tenancies are transferred (assigned) usually by inheritance (which, with generational migration, has created a problem of vacant crofts and absenteeism), but can be sold. Incoming tenants traditionally pay to the outgoing tenant the value of just the improvements to the croft—houses, buildings, fences, ditches & drainage, etc.—but nothing for the land.

There are currently some 17,923 registered crofts in the highlands and islands, and around 12,500 crofters. Around 10% of the region’s population lives in crofting households—but locally this can be up to 65%, as on the Isle of Skye. About a quarter of the agricultural land area in the so-called ‘crofting counties’ is under crofting tenure—some 1.9m acres—producing 45% of the area’s breeding ewes and 20% of the beef cattle, both of which are sought after for their quality. Crofting is admired as a traditional form of sustainable agriculture that has lessons for the crises-ridden global age.

The advent of the internet has transformed the opportunities for economic activity within the Crofting Counties. The development of the renewables energy industry is presenting marginal crofting communities with an opportunity to benefit from resource rent capture from wind, wave and tide—providing an income not enjoyed since the heady days of kelp and the herring. Newly commercialising energy technologies such as micro hydro are releasing crofters from the tyrannies of peat burning and the tanker-fuelled diesel generator. The reforms from Scotland’s land reform programme—and in particular the innovations of the Community Land Tenure initiative—are bearing particularly positively on some crofting communities. After decades of insecurity and decline, a synergy with the community land trust model may be helping crofting to find new feet: here and there populations are stabilising (after a fashion—although demographics often are not, and local character may be diluting) and some school rolls showing hopeful signs; indigenous Gaelic culture and language is on a rolling revival; local and regional political confidence is growing, social capital building, and economic security strengthening.
Will proposed new legislation be the saviour or the downfall of Scotland’s unique crofting culture? Calls for deregulation and the encouragement of ‘free market’ practices in croft land would see its commodification as a capital asset, its tapping as a well of unearned wealth, and its securitisation by global finance, with the community going to the dogs, argues Susan Walker—overleaf.

A crofting future?

Life on today’s croft is by no means easy. But in the present global age of crisis, crofting has much to commend it as a system of social and economic organisation:

- Land-value flows from crofts and house sites generally not extracted as unearned windfall income, nor enjoyed as private capital assets
- Community land tenure can deliver that same community-created income back to the community—an alternative fiscal ‘rent collection’ mechanism
- Rental income from natural resources (eg. wind turbine sites) available for funding local public services & infrastructure
- Strong & enhanced community
- Reinforces citizenship
- The original ‘new localism’
- Potentially youth-supportive
- Enhances local democracy—eg. through community trusts
- Increased local reliance
- Inbuilt mutuality
- Strengthened local markets
- Promotion of craft production and delight—in lieu of commodification & consumerism
- Healthier & unbonded relationship to external (eg. global corporate) finance
- Enhanced food security
- A ‘food miles’-friendly system
- The benefits of low-input and low-pollution food production
- Eco-friendly and low-carbon farming & industry
- Holistic land management
- Systemically affordable housing
- Local materials, local sourcing
- Shorter distribution runs: reduced system leakage
- Psychological & health benefits
- Economic & other benefits of (slow) access to the same high value virtual geography (www) as the rest of the world
- Fortified local character, culture and heritage.
A battle is taking place in the north and west of Scotland which few outwith that area will have heard about, but which is very much about land and, in a sense, about liberty. As the Scottish government tries to bring a new crofting reform bill to parliament, a yawning chasm has opened up between those who bitterly resist the idea of increased regulation of crofting, and those who fear that crofting will rapidly disintegrate if nothing is done to control abuses of the crofting system, such as the sale of croft land on the free market.

Crofting has sustained communities around Scotland's northern and western margins for two hundred years, and it could be claimed for many centuries before that. Crofters practiced self-sufficiency and sustainability long before it became fashionable—displaying a deep understanding of and reliance on the land and the local environment. Yet crofting and its culture and ethos seem to be little understood within Scotland, let alone further afield.

A succession of Acts from Westminster tried to bring crofting into the modern capitalist economy. The 1976 Crofting Reform Act (see box below) gave crofters the right to buy their croft at fifteen times the annual rent, or buy and 'decroft' their house and garden ground (convert it to conventional tenure). With many crofting rents as low as £5 a year, it must have been assumed this would result in a deluge of applications; and perhaps there was a hope by civil servants and governments that this anachronistic form of land tenure would be gone for ever. But even in 2009, particularly in the Gaelic-speaking counties, it is remarkable how few crofters have taken up the offer, apparently preferring to remain faithful to the ethos of occupying land to which their family has a right in perpetuity, but retaining an indigenous understanding that the land should never become a private economic asset.

However, with rises in house site and property prices, particularly over the last decade, some have understandably been tempted to use their 1976 rights. Now, instead of a harvest of potatoes, oats or turnips, some crofters are gleaning a one-off harvest of pounds sterling—putting whole crofts, tenancies, house sites and decrofted croft houses on the open market at prices out of the range of local people.

The Crofters Commission is the body which is meant to regulate crofting. It has been at best weak and at worst complicit in allowing free

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**History**

Highland landlordism appeared out of the breakdown and subversion of the traditional Scottish clan system of social organisation. It was driven by rapacious individual chieftains, forgetful of their duties to their kith, revelling in their privileges, and increasingly greedy to participate as equals in the aristocratic social environments provided by the newly created United Kingdom and the Enlightened Europe. From the 1700s Highland landlords developed an increasingly commercial attitude towards the land and its people charged to their care, resulting in the Highland Clearances, and contributing to the Scottish dispersion.

During the late 1800s a series of uprisings by tenants—encouraged by the Irish Land League, and with Henry George visiting Skye in 1884 with his 'Scotland and Scotsmen' public speech—resulted in the seminal Crofters' Holdings Act of 1886. By giving crofters both secure and inheritable land tenure and the right to fair rents, the Act sought (overtly) to encourage the improvement of land through secure family possession and protect and sustain vulnerable populations, and (covertly) to quell social unrest and disempower emerging non-establishment political potential.

It mostly worked—and the highlands became a relatively contented place for the next hundred years. The cost, many have argued, is an institutionalised system of bureaucratic social patronage and enforced peasantry, overseen by government agency—the Crofters Commission (Ughdaras nan Croitearan)—and many have wondered why such an arrangement has often been anxiously held-onto in the face of offers of increased autonomy. The 1886 Act was followed by further crofter legislation—notably in 1955, granting the right to assign a croft to a non-family member, and in 1976, giving crofters the absolute right to buy and 'decroft' their house or garden ground, and the right to buy their whole croft.
marketeering in croft assets, and in failing to take action on absentees who leave crofts empty and unworked and communities with gaps in them. At each successive sale of croft assets on the open market to those often with no kinship to the people, the place, or the land (and who have no intention of using for crofting purposes what they buy), the indigenous aversion to selling off the ‘family silver’ is further weakened.

The stark results of what would happen if increased deregulation were to take place are only too evident in Glendale in the north of Skye. There an early experiment in ownership of croft land by the crofters was achieved in 1906 through a spirited attack on landlordism by the Glendale Martyr, John MacPherson, and his followers. One hundred years later, MacPherson would not recognise his native community: on the original one hundred and forty-seven crofts, there are now only six active crofters; the cost of buying a croft there has soared so that it is virtually impossible for young people to acquire a croft or house; as a result there is an ageing population and many holiday homes—and the local Borrodale Primary School (in Highland Council’s words) “is currently not in use as there are no pupils on the school roll”; seventy-five percent of the population of Glendale is now non-indigenous.

With a sense of desperation, then, a group of crofters in the small crofting township of Camuscross, my own home in the south of the Isle of Skye, decided to make a stand. Although there is a revival of interest in crofting in the township, with more people working individually and together on the land and young people keen to acquire a croft, the weakness of current legislation and the failure of the Crofters Commission to act in what many see as the interests of crofting, has meant that here too there have been abuses of the system. When the grazing committee’s request to the Commission to take action on absenteeism was met with eighteen months of silence, disregarded promises or excuses, Iain MacKinnon—crofter’s son and academic—and I, decided to act. Following Shucksmith’s recommendation (see box, p. 16), we wrote our own State of Crofting—a detailed report charting both the problems and the achievements in our own township. Copies have been sent to members of the Parliament: the political parties’ rural affairs spokespeople and members of the press have been invited to Camuscross to see for themselves what has
Crofting Reform 2009—Shucksmith & all that

The most recent Crofting Reform Act, of 2007, was heavily criticised for failing to end speculation on croft land—a major crofter concern. Mark Shucksmith, Professor of Planning at Newcastle University, was appointed to chair a Committee of Inquiry into Crofting.

The Inquiry’s main concerns focused on: land and environment issues; strengthening rural economies, supporting affordable housing, reforming governance of crofting, regulation and enforcement and encouraging young people and new entrants to crofting. Its final report was submitted last year—but, apparently (although the suspicion is of a vocal minority at work) did not go down well in the crofting community. In spite of this, elements of its recommendations have been incorporated into draft new reform legislation—public consultation on which has just closed. The main legislative proposals are:

- reform of crofting ‘governance’—ie. Crofters Commission
- reform of the Crofting Register to clarify boundaries and interests
- shifting croft house financing to the private sector
- introduction of croft occupancy requirements
- enforcement against absenteeism and the neglect of crofts.

Some of the proposals nudge crofting towards the free market, some towards greater regulatory control: different crofter perspectives take succor or are angered accordingly. The reforms seem pragmatic but unprincipled in the face of a divided subject. Would they encourage a market in croft land as a capitalised asset, or introduce new securitisation to the private financial sector?

The letters pages of the regional (and national) press—like the West Highland Free Press—are currently raging with concern. Conservative views wish no change at all to current arrangements: “we are a minority group of people who are having legislation forced on us that we don’t want and this is indeed a very serious matter. We see no need for any of the changes in the current legislation.”

The embattled common crofter is generally sceptical of the proposals: “it is doubtful whether such policy will find much favour with the men and women who go to the hills and moors in all weathers to tend to livestock, know what a fank smells like, support the local shows and yet continue to fight against the odds to retain their communities, after having witnessed their year’s work sold ‘for a song’ by detached men in white coats.”

But some progressive elements within crofting—perhaps only now letting their voices be heard—whilst rejecting some of the proposals on the table, are broadly supportive: “Would we, as individuals, rather have land productive and worked, children running about, and our schools open and thriving, young families able to set up home, houses lived in rather than occupied two weeks a year? Or do we as individuals prefer to forego all of that in exchange for money in the bank? Those of us who are lucky enough to have inherited or acquired a croft have a great duty of responsibility on our shoulders. I do not care if my croft house or land is devalued financially: I would rather have neighbours, children in the village and my own potatoes than some numbers on a bank statement. It is a different kind of wealth, but one that is equally precious. And I do not believe I am alone—I believe the vast majority of silent crofters are of the same opinion.”
gone wrong with crofting—and what could be achieved if it were properly regulated.

For crofting is not only a unique system of land tenure, with a long and rich history; but, when viewed within the context of the rapidly approaching problems posed by food insecurity, unsustainable food miles and rising carbon emissions, it shows itself to be a system that is extraordinarily apt, not just for the present but for the future. If encouraged and supported, it could give each crofter the freedom to operate outwith the vagaries of the market economy: allow him to live and grow food on his own piece of land, simultaneously increasing local food for the whole community; and build community cohesion and strength, through the management of the common land and a revival of old communal work practices—and by giving access to affordable land and houses unweighed-down by land capital cost. It is a system with the potential to give people living at the margins, remote from centres of population and employment, the right and freedom to recreate a modern version of the self-sufficient and sustainable communities of the past.

Crofting is worth saving. If we can return to its traditional ethos where land was valued for the food and security it could provide, rather than its marketable value, it could be used as a shining example of what might be possible for other areas and other countries; for it respects people and place, language and culture, the past and the future, the land and human liberty.

Susan Walker is a crofter and artist on the Isle of Skye. On their two acre croft and share of the hill grazing, she and her husband keep a milk cow and beef cattle, and produce hay, potatoes, turnips and other meat and vegetables.

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**edward j dodson's cooperative individualist view**

As an interested reader you will have formed your own opinions on how the current financial crisis could have been avoided. Based on my own thirty-plus years working in the US financial services industry, I offer these insights.

What we know is that credit acts as an accelerant poured on speculation-driven fires. Investors seeking high returns move from one speculative market to another—shares of stock, precious metals, property, raw land, currencies, mortgage-backed securities, and so on. Far better to use leverage and risk someone else’s assets in speculation than one’s own.

The use of credit by investors in the property markets is normal. What was not normal in this cycle was the aggregation of externalities, most importantly the bypassing in the US of Fannie Mae, Freddie Mac and the FHA as the gatekeepers of the quality of collateral going into mortgage-backed securities. Wall Street firms packaged approved loans without verification of income, employment or even creditworthiness—often with fraudulent property appraisals, or none required. Many of these loans originated under predatory terms if not outright fraud.

Whenever the pool of potential borrowers or homebuyers expands, market forces capitalise the change in equilibrium into higher land (and total property) prices. Fannie Mae and Freddie Mac responded by raising loan limits, reducing down-payment requirements, extending mortgage terms, creating interest-only mortgages, permitting negative amortisation and offering adjustable rates that enabled people to qualify for larger loans. And, these measures were adopted by the ‘conventional’ (ie. ostensibly conservative) market players.

Those of us in the industry who saw all this developing and feared the worst observed that on a growing number of property appraisals the land-to-total value ratio was skyrocketing. By the early 2000s, loans we were purchasing or securitising involved financing for more and more land and less and less housing. In New York City or San Francisco the land might comprise eighty or eighty-five percent of total value.

What economists ought immediately to understand is that at some point the financial stress on businesses and residential property owners brings on a collapse in property markets (with bank failures as collateral damage). Business profit margins are reduced by rising land acquisition costs. When relocations begin and vacancy rates increase, this is a clear indication of a property market crash on the horizon. In the residential property markets, the end comes when property (ie. land) prices become too high for first-time buyers—even with the exotic offerings from lenders. By 2004-5, the capacity of many US households to carry their debt had reached its limit. Household incomes were stagnant or declining, savings gone, and interest rates were as low as could go.

It is now too late to prevent the coming collapse: at best we can mitigate the depth and duration of the depression. The land market cycle will begin again when businesses see the opportunity to borrow and invest in new capital goods creation and once again generate profitable sales.

Among the numerous reforms we need is regulation that prohibits credit on land. This will require investors and homeowners to come up with cash down-payments from savings or other sources that do not put the financial system at risk. Removing credit as the accelerant for land speculation will not solve the problem, but it is an important first step.
The nature of natural law

In the last issue of L&L columnist Ed Dodson raised the question of 'natural law'. Here David Triggs takes issue with him and reflects on what natural law meant for Henry George.

ED DODSON has recently raised questions in L&L regarding the nature of natural law (see box). He may be consoled to find that he does not "constitute a minority of one" when he objects to the use of the term 'natural law' as an expression of 'just' law, or moral law. I at least agree with him, and have to confess that I have not come across many people who would not. But then neither am I aware of many who would say "if only we would live according to the creator’s system of natural law, all would be well in the world"—although I can sympathise with those who hear admirers of George extolling the importance of natural law and suppose that that is what they mean.

Some of the confusion that Dodson laments may arise from the meaning that he, and the likes of Mortimer Adler whom he quotes, give to the term 'natural law'. When Adler says "Let us first be clear that by 'natural law' we mean principles of human conduct, not the laws of nature discovered by the physical sciences", he is surely not referring to the same thing that Henry George so respects. It is true that Henry George does not limit the discovery of these laws of nature to the physical sciences but he is clear that they need to be discovered, described and acknowledged and that they do operate through human nature just as much as they apply to stars and atoms.

The essential characteristic of the natural law that Henry George refers to is, surely, that it always operates, whatever people will, think, or do—irrespective of whether it is acknowledged or ignored. Problems arise, however, when it is ignored—hence when George says: "the evils arising from the unjust and unequal distribution of wealth...are not imposed by natural laws...they spring solely from social maladjustments which ignore natural laws." But I believe we should treat natural law as descriptive—as distinct from moral law, which asks the 'ought' questions, as prescriptive. In so doing we would avoid confusions inherited from past philosophical discourse. Mortimer Adler said—"it is hard for most to understand how a natural law has anything to do with moral matters."—Ed Dodson, L&L, summer 2009

As far as human comprehension is concerned there does however seem to be a difference between the singular natural law as 'type' and particular manifestations of natural laws. Which comes first? Do we first observe phenomena and then identify a commonality that indicates 'type' or, aware of the 'type', do we then recognise conforming examples?

Here George comes to our aid when, in The Science of Political Economy, he indicates that both the 'inductive' and the 'deductive' modes of human reason are valid and necessary. The inductive or a posteriori method—based on accurate observation and "reasoning from particulars to generals in an ascending line, until we come at last to one of those invariable uniformities that we call laws of nature", he says, comes first. He continues: having "reached what we feel sure is a law of nature, and as such true in all times and places then an easier and more powerful method of ascertaining the truth is open to us—the method of reasoning in the descending line from generals to particulars. This is the method we call the deductive, or a priori method. For knowing what is the general law, the invariable sequence that we call a law of nature, we have only to discover that a particular comes under it to know what is true in the case of that particular".

George provides further clarification when he says: "So far as our reason is concerned, induction must give the facts on which we may proceed to deduction. Deduction can safely be based on what has been supplied to the reason by induction; and where the validity of this first step is called to question, must apply to induction for proof. Both methods are proper to the careful investigation that we speak of as scientific: induction in its preliminary stages, when it is groping for the truth in the physical sciences, which has been found to be effective in the discovery of truth in the physical sciences, and 'deductive' modes of human reason are valid and necessary. The inductive or a posteriori method—based on accurate observation and "reasoning from particulars to generals in an ascending line, until we come at last to one of those invariable uniformities that we call laws of nature", he says, comes first. He continues: having "reached what we feel sure is a law of nature, and as such true in all times and places then an easier and more powerful method of ascertaining the truth is open to us—the method of reasoning in the descending line from generals to particulars. This is the method we call the deductive, or a priori method. For knowing what is the general law, the invariable sequence that we call a law of nature, we have only to discover that a particular comes under it to know what is true in the case of that particular". George provides further clarification when he says: "So far as our reason is concerned, induction must give the facts on which we may proceed to deduction. Deduction can safely be based only on what has been supplied to the reason by induction; and where the validity of this first step is called to question, must apply to deduction for proof. Both methods are proper to the careful investigation that we speak of as scientific: induction in its preliminary stages, when it is groping for the law of nature; deduction when it has discovered that law, and is able to proceed by shortcut from the general to the particular, without any further need for the more laborious and, so to speak, uphill method of induction, except to verify its conclusions".

We might further note George’s recognition and use of a third ‘method of investigation’, which has been found to be effective in the discovery of truth in the physical sciences, i.e. where a ‘tentative deduction’ or hypothesis may be employed.
The quotations cited above show how Henry George saw the importance of natural law in connection with political economy and human behaviour, and that it does not operate only in the material world. He went on to show how it permeates the subtle worlds in which man wills, thinks and desires and which are critical to the social aspects of human nature and the production and distribution of wealth throughout society.

Thus far we have not found it necessary to refer to moral law or just law in showing the importance of natural law to society. This is not to suggest that they do not matter to society but rather that natural law is of a different order.

My own feel for ‘laws of a different order’ is possibly helped by my experience as an engineer involved in water projects throughout the world. I easily recognise the differences between natural laws and man-made laws, regulations or requirements. The former operate through the materials and forces that engineers employ, whilst the clients and/or governments in whose jurisdiction the project may be located impose the latter. The former are fixed, do not vary and always apply: the latter may proliferate or be cancelled, may vary or be exempted.

Likewise it seems that where individual societies declare artificial ‘moral laws’, they may or may not be based upon natural law but they cannot be as universal in their application as are the natural laws themselves. It may well be that there is a class of laws that apply to all human societies but such laws could not override those imposed by nature on all societies. They would exhibit an accommodation with the natural law by adjusting their application in accordance with the peculiar nature of man and human society. To the extent that a human society observed these laws it might be expected to thrive. If humans and human society choose to ignore natural law and to observe only regulations that represent ‘maladjustments’, they might be expected to suffer—maybe to the point of extinction!

Here we come to a critical point in our enquiry and the need to take into account the nature of the human being. We need to recognise the unique degree of freedom that is available to human beings—a freedom that comes with the free will, highly developed brain, and versatile body that humans enjoy compared with all other creatures.

We need to recognise the unique degree of freedom that is available to human beings—a freedom that comes with the free will, highly developed brain, and versatile body that humans enjoy compared with all other creatures.

the influences of both vice and virtue, I (and I imagine most) may thus draw upon personal experience. I mark that when under the influence of a vice my feelings, thoughts and behaviour tend to be directed towards myself whilst, when under the influence of a virtue, I tend to be more discriminating, generous and considerate of others. Could this be evidence of the operation of a natural law?

This link between an action and a consequence does not appear to flow from any personal intent, social norm, custom, tradition, or man-made law but rather be associated with an influence that is beyond the individual or society—ie. not ‘artificial’ but ‘natural’. It is true that individuals may be under pressure from parents, teachers, preachers and society at large to practice virtue and avoid vices, but this does not account for the nature of the relationship between such a practice and the consequence. Such encouragements merely represent social adjustments that are made in harmony with the natural law. For human beings natural law does not prescribe the practise of virtue; humans are made free to choose, as George points out; if humans were compelled by their nature to avoid error they would be less than human.

Here we may see how natural law does indeed relate to moral law, just as it must relate to all matters that pertain to the manifest universe. Moral Law cannot affect the natural law but it must be subject to it!

It may also be apparent why I so disagree with Dodson when he suggests that George was “to a degree” with others guilty of looking “no deeper than their faith in a conscious creator”. My understanding of George’s faith in a conscious creator is that it was not on account of any shallowness of looking. He tells us directly that his return to faith, following a period of agnosticism, followed very deep consideration and was directly linked to his appreciation of the universal application of the laws of nature. He saw how it was only possible for a person to express their will and make a new thing that was ‘good’ for a purpose, ie. to meet a human want, when they used their powers consciously. Having made such a thing for the first time and describing the processes that need to be followed, further similar items could be made by ‘following the process rules”—and far less consciousness was called for. These rules (laws) could thus be said to express ‘the will of the original maker’. Looking with all that any man is equipped to use—his own senses, mind and spirit and aided by knowledge gleaned by past generations that satisfied his own critical faculty—it seems to me that George was able to reason that the ‘all maker’ must not just be conscious but must be consciousness itself—continuously manifesting through all creation and (as far as humans are concerned) especially through human kind.

Thus in his final work George was able to say—writing in 1894: “Why is it that some things coexist with other things? and that some things always follow other things? The Muslim will answer: ‘it is the will of God’. The man of our Western civilisation will answer: ‘it is a law of Nature’. The phrase is different, but the answer one.” L&L

David Triggs is the Executive Chairman of the Henry George Foundation, publishers of L&L.
If there were water

(cont. from back cover)

It seemed a good start to what is a counter-intuitive debate. Why, when discussing water—and I do that a lot as the author of the new book Peak Water (see reviews, p.22 Ed)—does everyone fixate on the idea of our water problem being resolved by war? But then, why is a renewable resource like water becoming exhausted in the first place? And why is it that most people live in places that have relatively little water?

In the answers to these questions lies the real reason why the pipe and the bucket should triumph over the gun. Firstly though, let’s be clear about the nature of our crisis. Controlled water for farming is a key factor in the global population boom of the last sixty years—irrigated land is up to four-times more productive than non-irrigated. Much of that irrigation water comes from underground wells, or aquifers. Unfortunately, though, a significant proportion of irrigated land is becoming unusable through salt build-up, and the wells are being pumped to exhaustion. Industrial water management on the land displaces people, who are moving to cities, which are themselves running out of water. As writers such as Mike Davis note, the urban sprawl is no longer a sign of wealth or improvement, but represents poverty and diminished life chances. The world’s thirst is rising and we are approaching ‘peak water’, the point at which demand will exceed supply. That’s the problem.

Is war the solution, or at least an inevitable conclusion? The fixation on war seems to lie in the assumption that any major shortage can only be resolved by conflict. Run out of oil? Invade Iraq. Need more land? Send tanks over the border. Military engagement seems to be the civilised way of restocking our national store cupboard.

Yet there are profound limitations to war’s suitability to resolving the water crisis. The stress on water resources doesn’t neatly fall according to national boundaries. The USA certainly takes water unfairly from Mexico, and sucks at Canada’s reserves; but the essential water problem is between a dry east and a wet west. There might be an international conflict; but civil war is more likely, between the dry regions and the wet ones.

Where the issue is more obviously between two nations, say Egypt and Ethiopia over the Nile’s waters, are we to believe Cairo would invade and permanently occupy Addis Ababa to prevent new dams being built? I doubt such acts would either be feasible or tolerated. Unlike oil—the obvious comparator in the resource war stakes—there is no global distribution system for water. This means the pay-off for any conflict, in terms of greater supply, is much harder to achieve.

The world’s water crisis is on one level about the locational mismatch between population and resource. In short, lots of people live where there isn’t much water. That’s because civilisation has been very successful at getting water to follow man. We’ve diverted rivers and pumped wells to suit our needs. The consequence is that we’ve settled in places that do not have the capacity to support us over the long term. Beijing has boomed, but its water is down to a trickle. India has fed over a billion, at the cost of draining its wells. Both China and Delhi have large armies and could wage war on neighbours, but to what gain? Would they divert Siberia’s Lake Baikal to irrigate the paddy fields, or the glacial melt water of Mongolia to the swimming pools of Mumbai?

A more practical, if currently outlandish, suggestion would be for the people to move to where the water is—and it must happen in time. Jared Diamond, in his book Collapse, on the failure of civilisations, suggests Australia has the capacity for a population of around 8 million, but is home to over 20 million. Where will the spare 12 million go? Apply the same arithmetic to India or China and you have a massive global problem. Moving would be smart, as the planet has enough water for everyone, just in places which are currently underpopulated.

Would this be our war: not to seize water assets, but to resist the tide of people who will come knocking at the border gates of the wet lands, asking for a new home? If it is, then perhaps it should be the water-rich who buy the weapons—for a war of defence.

So I am left with this puzzle. Will the water war be a very local affair, between neighbours disputing access to a stand pipe; or a civil one between wet regions and the dry; or international, and if so, who will be the aggressor and who the defender?

What, though, if there was no war? What if we all chose the bucket and not the gun? We have got into our current mess because of our success at controlling water, and because we took simple technology for granted. If we began to rate the mastery of water as one of our great achievements, our life-giver and the defining substance of our existence, we might become better guardians of its future. Further, if we recognised that the droughts or floods of distant places were a problem to us all, and we saw merit in investing in safe and steady supplies for everyone, then the catastrophe of war might become less likely.

What is certain is that a nation-by-nation, or region-by-region solution is not enough. Those in the wet world are dependent on the food and goods produced in the water-stressed parts, and the security of all depends on the social and political stability of arid regions. We are in this together. Perhaps a World Water Bank could be established, which would invest in the rich world’s water systems, much as private companies currently do, but redistribute the profits not to shareholders.

‘Water Wars—one man, a bucket, and a cautionary tale’ was a show that ran for two weeks at this year’s Edinburgh Fringe Festival. Writer and one-man performer Alex Bell presented the thoughtful, audience-interactive event at Schop—an Old Town mini-gallery also hosting an art show by Nigel Peake (see ‘a quick note’, p. 23). “Brilliant beyond expectations” said The Scotsman theatre critic and columnist Joyce McMillan of Bell’s show—which presented a roving international youth audience with the ideas he sets out in this article.

20 Land&Liberty
The one-of-many tax?

Following John Pincham’s interesting letter in the summer issue of L&L, it is difficult to see how anyone can still justify land value taxation as the only tax. There is a paramount principle that should apply to all taxes, namely, that the wealthy contribute more than the less wealthy.

Certainly LVT has this principle built in, but it is necessarily limited to enterprises directly dependent on land for their operation or to fixed situations where the site is a prime factor. LVT would work well for residential property, but would not touch the highly mobile footballer or pop star, nor the smart trader who needs only a lap-top and a hotel room or remote cottage on a low value site. How would these wealthy individuals be taxed? Surely they also benefit from the communal infrastructure and services that have to be paid for, in whatever country they operate. On-line trading of course can thumb its nose at LVT.

Another anomaly arises with the superstar phenomenon. Everyone knows that the small high street enterprise cannot compete with these big stores and are eventually driven out of business. But under LVT they would have to pay high street values whilst the prospering supermarkets would be paying ‘out of town’ values. In an article in the Guardian (11th August, 2009) George Monbiot bemoans how Tesco is slowly but relentlessly destroying the economic centre of his home town, Machynlleth, in Wales. He doesn’t have the answer and neither do I—I doubt that LVT would solve that one. We clearly need to have a mix of taxes. It would be interesting to hear from L&L readers what this mix might be.

Ian Hopton
Lodève, France

Little Dragons

It is a georgist legend that some East Asian city-states, and notably Hong Kong, Taiwan, and Singapore, derive most of their public finance from the collection of land values. If so, then Georist theory predicts that such Little Dragons (as they are called ‘out east’) would fare well in the present recession. Is that indeed the case?

Robert Ilson
London, England

RIP HG

I’m fed up with Henry George.

Don’t get me wrong—I’m as firmly convinced of the validity and necessity of the economic proposals as I have ever been. But the idolisation of him is a millstone around our necks. Indeed, the Henry George-ism is the biggest enemy of georgist reform.

Even down to the way we refer to and perceive ourselves; how we understand what we’re all about, we’re not economic reformers, or land taxers, we’re Georgists—followers of Henry George. We bow our heads and study the great master’s scripture at Henry George Schools. We absorb, faithfully and to the letter, the “teachings” of Henry George.

But that doesn’t cut it. The Henry George worship is tiresome at best. And to anyone not endowed with our fetish, “Henry George said” is not even an argument. If anything it’s indicative of a movement that cannot think for itself but must reference a man long dead and forgotten for intellectual ammunition—a movement that’s out of touch; a movement that doesn’t move.

And yet we’ve created around ourselves a personality cult, when Henry George the person just doesn’t matter. Freedom and justice are what’s relevant. That is why we want economic reform. Henry George happened to point that out. But Henry George was nothing but another georgist.

The Henry worship is not only silly, it’s also damaging. Henryism, in a sense, has ruled supreme over georgism. We have lost sights— of the target, of political reality, of what repels people rather than convinces them.

I propose this: No more Henry. No more Progress and Poverty. Finito.

Let’s stop boring people. Let’s stop the worship. Let’s stop looking the prat. Let’s even stop calling ourselves georgists. And let’s start relating to reality.

Do let’s, once and for all, let old Henry rest in peace, and get on with changing the world.

Tom Polhaus
Los Angeles

DIARY

see issue 1224 for still-current diary dates.
reviews

**Between a rock and a dry place**

**Peak Water**
by Alexander Bell

Peak water is the point at which the demand for water is higher than the rate at which the supply is replenished. Although water is a circulatory system—sea evaporation, atmospheric water vapour, cloud formation, rainfall, groundwater drainage by river systems back to the sea—in fact because of intensive human use it behaves like a finite resource such as oil. It’s not that the water’s going to run out; it’s just that there isn’t enough available to meet needs; and specifically not enough in the locations where it’s needed.

The UN Environment Programme predicts that, by 2025, two-thirds of the world’s population will be experiencing water stress, and 1.8bn people will be living with absolute water scarcity.

Water is of course the source of life; and it is water, not land, the author argues, that is the building block of civilisation. “From the hanging gardens of Babylon and the ancient myth of the Nile to the fountains in Las Vegas, water is the one constant. We are fed by irrigated fields, live in plumbed cities, and turn on a tap without a moment’s thought. Yet, this simple technology that underpins everything is at bursting point.” It is the places where water is, or can be got to, that are of value to us: or, perhaps more clearly, without a supply of water a place is of little value to us.

And whether considered in terms of natural resource or of public distribution, a supply of water is a tapping into a common resource.

Bell’s book surveys the world and its history through a watery lense. He sees that there is a real problem in the mismatch between the locations of human populations and of fresh water. He reflects on the solutions (no pun intended): conflict—civil or international—conservation, or mass migration. He questions the possible efficacy of the first, advocates the necessity of the second and anticipates the inevitability of the third.

What Bell does not do, although his arguments do lead the reader in this direction (and his back cover article in this L&L suggests it), is advance the notion of a market-based global-commons rent system for the management of the problem. The model would be Peter Barnes’ Sky Trust—often raised in L&L—WWW.SKYOWNERS.ORG. That would be the efficient and just solution for the fair allocation of a scarce natural resource: it would ensure the universal distribution of clean fresh water according to human need; and collect for the common good the economic value of the best local industrial application of the remainder of any available supply.

Alex Bell is a man who has already proven himself in other fields and media: Peak Water, an incredibly interesting read, is a first book by an author who may go on to much more significant things.

Peter Gibb

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**Caring is not enough...**

**People First Economics**
by David Ransom & Vanessa Baird (eds)

Noam Chomsky, Naomi Klein, Susan George and a host of (nineteen) other celebrated thinkers and writers from the left take “a long, hard look at the mess globalised capitalism is in”, and shift the focus “back to where it belongs—putting the needs of people and the environment first.”

Well I can’t complain about the pre—but I do complain of the result. Between them all the authors succeed in pressing a few of the appropriate (mostly left-hand) buttons—tax justice, carbon taxes, the commons, stewardship—but they manage to ignite precisely nothing. This is a book by people who care deeply, but are as blinded as the Neo-liberalist Washington Consensus by their theoretical and ideological inheritance, denying what’s in front of them, and floundering in their incomprehension of the solutions. Good luck to them...

Maxwell Lewis

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**...We have to do what is required**

**Don’t Bet the House on It—No Turning Back to Housing Boom and Bust**
by Toby Lloyd
Compass, 2009, 50pp, p/b £5—or available free by download from WWW.COMPASSONLINE.ORG.UK/PUBLICATIONS/

The London-based independent ‘democratic left’ thinktank Compass is a favourite of Gordon Brown. Toby Lloyd, the Henry George Foundation’s previous

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a quick note...

[WWW.WIKIPEDIA.ORG](http://www.wikipedia.org)

The greatest knowledge project of human civilisation—the multi-lingual, web-based, free-content, encyclopedia venture, based mostly on anonymous contributions—now at thirteen million articles. Go read the entry for your favourite subject: if you’re not happy with it, put it right; if it’s missing, write it yourself. Anyone can write and make changes to Wikipedia.

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**Land Reform in Russia: Institutional Design and Behavioral Responses** by Stephen K Wegren, p/b, £40 (released 31st January 2010)

“In Russia, a country controlling more land than any other nation, land ownership is central to structures of power, class division and agricultural production.” This book is an account of the country’s land reform initiatives from the late 1980s to the present day.

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**The Rule of Law**
by Kenneth Jupp, p/b, £14.95

“The challenge of the twenty-first century is how to establish access to the resources of the earth for the whole population so that the able-bodied can support themselves. The welfare state can then be slimmed down to no more than is necessary to provide for the diseased and disabled... with more generosity than at present.”

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**Limits to Free Trade: Non-Tariff Barriers in the European Union, Japan and United States**
by David Hanson, h/c, £65.00 (released 31st December 2009)

This book reviews the trade complaints being raised by the US, EU and Japan about each other and concludes that non-tariff trade barriers are being created more quickly than being resolved by trade liberalisation.

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No 1225 Vol 116
As deputy chief executive, he authored the pressure group’s latest report on housing.

"As well as presenting a clear and comprehensive picture of how and why the housing system has failed us", Compass says, "the report provides an easily approachable discussion of the measures needed to get out of this mess and create an equitable, sustainable housing system that delivers the quality homes we all need at fair prices". And it does.

The report opens with a review of the housing problem ("bubbles always burst"). It then sets out the principles for a new housing economy. The report goes on to deliver fifteen pages of comprehensive discussion of how housing policy needs to be reformed; including two pages on taxing land values, which conclude—"We do not underestimate the opposition from those with a vested interest in the unequal and ineffective outcomes of the market as it is currently structured, but as Churchill said, 'It is not enough that we do our best; sometimes we have to do what is required.' Taxing unearned land value increases is not just necessary but desirable and feasible."

The report made UK front page news in August. The Daily Express headlined with 'Land tax: an attack on middle classes'—reporting views of Tory housing spokesman Grant Shapps, who considered the idea 'thoroughly unappealing'. The Express also discussed the proposal in its Leader.

Ashley Seager in the Guardian took a different and more positive view, stating the report "makes a compelling case for a wholesale reform of the housing market in Britain, including a land value tax that would curb property speculation".

Peter Gibb

Calling our rights to mind

Community Land Rights: A Citizen's Guide
by Andy Wightman

This short new book aims to assist citizens, activists and researchers investigate local land rights. It is the first comprehensive overview of land rights belonging to Scotland's communities. The book offers research sources and techniques including "how to interrogate the only-ever comprehensive map-based survey of landownership in GB and Ireland—the Lloyd George 1910 Land Valuation Survey", and a series of case studies, including Edinburgh's city centre Waverley Market (between the station and the Balmoral), and the Forest of Birse on Deeside.

Maggie Hold

Recently, UK’s Channel 4 showed a programme called "The Yorkshire Clammer." It portrayed Ted Evans, the owner of a private car park in the prototypically idyllic village of Haworth in West Yorkshire, best known for being where the Bronte sisters lived and worked, and for its winding, cobbled streets being filled with Morris men during the Christmas season.

Mr Evans and his company, Carstoppers, is—to so the Channel 4 website tells us—spurned by the locals and feared by tourists. Evans is notorious for his practice of clamping illegally parked vehicles—indeed, the programme shows us outraged shoppers complain to Tony the car park attendant, over their cars being immobilised and having to pay their £75 fine. "We came back plenty of time before [the hour was up]—and it's because we're parked slightly in the bay behind," says one flabbergasted lady, gesturing towards her car—one third of which occupies one parking bay and two thirds another. "Yeah, well, it's disgusting", says another, furious.

While Mr Evans and Tony are keen and unapologetic clammers, they don't randomly target drivers—only those who park for longer than they have paid for, those who don't pay, or those who prefer to park across several spaces. The terms of using the car park (and the repercussions for being in breach) are clearly posted on signs at the entrances.

This would have been mostly a local eccentricity, a very English—almost Arches-like—feud between villagers, if it hadn't been that former Speaker of the House of Commons Betty Boothroyd's car was clamped during a home trip North. Baroness Boothroyd was wholly unamused. When also the Tory shadow roads minister, Robert Goodwill MP, witnessed a clamping of his own (though not of his own car, but that of an elderly couple who had parked without paying), the ball really got rolling. Clamping was now a political issue. Politicians never being late to spot a profitable cause launched an attack, aided by the AA, on the practice of wheel-clamping on private land, seeking to ban it in England and Wales, just as the Scottish Parliament has done in its jurisdiction.

But wait a minute. Whatever happened to keeping contractual obligations? By parking in Mr Evans' Changegate car park, drivers agree to adhere to a given set of rules. If the rules are broken, Mr Evans' man Tony clamps the car, as it is just about the only certain way of making rule-breakers own up to their transgression. "A disgrace", says Baroness Boothroyd. But surely it is not. Or are agreements not meant to be honoured when they become inconvenient to one party?

Another, perhaps more interesting, aspect is to consider the car park a microcosm of the economy as a whole.

In that respect, parking space is not unlike living space. Everybody wants the parking closest to the shop they're going to and most shielded from other drivers. Indeed some drivers prefer two or more spaces so they don't have to share. Similarly, everybody wants to live close to work, shopping, services and infrastructure, and want as much space as possible. In both cases they want the best location free. "A disgrace", says the Baroness when someone tries to charge her for wanting the best location for herself; and the same say property owners, at the prospect of being charged for the privilege of occupying the best locations. "Yeah, well, it's disgusting!"

Mr Evans, the Yorkshire Clammer, says in the film that someone's car is like an extension of their home. How right he is.
If there were water

The places where human life has grown up and established itself, in hard-fashioned cities built on centuries of effort, are running out of water. It's a millennia-old difficulty that periodically has felled civilisation. Though in recent years it has caught up comfortable society in little more than hosepipe bans, in the twenty-first century the problem is now increasingly turning geo-political. Alex Bell ponders the providence of water in a good location

A WATER war is coming, so let me offer you a choice. In this war you can either have a weapon, or technology to conserve water supplies. This war will either be against other humans as we dispute water access, or it will be against poor water management. Now, which one do you go for—the gun or the pipe?

I was putting this choice to audiences during this year's Edinburgh Fringe Festival. My weapon was a water pistol and my technology was a bucket. Asked to choose, the smart audience members went for the bucket, even before I had explained the merits of each, or the circumstances of our water problem: it was the counter-intuitive pick at a show entitled Water Wars, and as such the obvious choice for the thinking person.

continued inside on p.20

Water & the presumption of service

The infrastructure and services provided within cities are critical to their existence: they are critical to the economic activity that can take place in any particular location. Information communications such as the internet, telecommunications and broadcast media, power supplies such as electricity, gas and oil, and waste removal like bins and sewerage, are critical to a site: but, on a different level, water supply is absolutely and immediately essential. Without any one of the former, economic output would slow down and become less tradable; human life would become less rich, and more uncomfortable. But without the provision of the latter in a place, human life there would cease within the week. Locational value—deriving from what any site can provide to those who possess it, delivered by the common birthright of nature and public provision and due to the community as its revenue—proceeds from an asset list at whose head—just below a bit of firm ground to stand upon and some air to breathe—is water. The looked-for prize for cities in future conflict will be, in TS Eliot's words: "If there were rock / and also water".

NEXT ISSUE

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