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# LAND AND LIBERTY

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Winter 1996



***OPEN LETTER TO TONY BLAIR***

***CORRUPTION: CON OR CONSPIRACY?***

***HUNGARY: ACTION IN BUDAPEST***

***THE POLITICS OF GDP***

# LAND AND LIBERTY

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## EDITORIAL

# THUG POLICIES WON'T SOLVE THE ECONOMIC CRISIS

THE WORLD is now afflicted by a single system of exploitation, but the human tragedies of the developed nations are overshadowed by the tragedy in the "developing" societies.

As many as 200 million children under 15 years of age spend most of their waking hours at work, "sometimes at risk of survival, very often at the expense of their physical and mental development, and the numbers are growing" according to UNICEF, the UN Children's Fund. Next time we wear our sylph-like blouses and fashionable shirts bought in stylish boutiques, remember the children of Bangladesh. There, the landless families have little option but to commit their children to what is *de facto* slavery. Estimates of the number of 10- to 14-year-olds employed range from 5.7 million (the government's figure) to almost three times that number.

According to the Asian-American Free Labour Institute, garment factories in 1994 adopted measures that were not unlike slavery techniques: children and adult workers were frequently locked in the factories, working 10 to 14 hours a day with a half day off on Friday.

About 13 million children died in 1994 for "lack of immunization, oral rehydration and other eminently affordable interventions," according to the head of UNICEF. He says that "their fate [is] often sealed by the budgetary priorities of government".

What kind of a society have we created, that we should allow the "budgetary priorities" of the state to assume greater importance than the lives of millions of children?

The problem does not exist with the willingness of people to work. Nor is there a shortage of capital. The source of the problem is to be found in the land market.

The solution, however, has nothing to do with the strategy recently advocated by Zimbabwe's vice-president, Joshua Nkomo. He urged black people to grab land from white farmers. "The whites didn't buy it, they took it by force, so do the same," he urged.

Bad advice. It provokes civil strife. It would cut the output of food. And it would not solve the structural problems that prevent sustainable growth. Statesmen should avoid the politics of the thug.

There is a better policy waiting in the wings. One that would unite people of all races behind a programme of social and economic renewal. Governments should introduce a charge on the rental value of land. That would stimulate a fresh supply of affordable land, as the hoarders released the vacant tracts that they are not using. It would enable governments to cut the job-killing taxes on work and wealth. And families could afford to send their children to school.

# Hungarian Tax Reformers Muster Political Backing

GEORGIST activism in Hungary could yield important results, if the depth of goodwill is finally translated into legislation.

This was the conclusion drawn by Godfrey Dunkley, President of the International Union for Land Value Taxation and Free Trade. Visiting Budapest in August, he met members of the Hungarian Henry George Society, who then arranged top-level meetings with politicians and officials:

**Gyula Gaal**, M.P. (Liberal), Vice-Chairman of Parliament's Budget Committee, who in recent months has repeatedly advocated in public the introduction of a land value tax. Mr Gaal stressed that to him this was the only acceptable kind of property tax and that he would appreciate any material on international experience that supported his case. Mr Dunkley explained that the tax on land value should first of all result in the reduction of the currently very high social security contribution which was the prime cause of unemployment. **Viktor Ormosy**, Director in Charge of the Municipal Section in the Ministry of the Interior. Mr Ormosy repeated a previous promise to support the proposal worked out by Mr Miklossy (see below).

**Ivan Vitanyi**, M.P. (Socialist), Chairman of Parliament's Cultural Committee and of the National Committee of the Hungarian Socialist Party, who is a member of HHGS). Dr Vitanyi said that while his lifelong activities lay in the field of the sociology of culture, and he is not an economist, he would use his influence to support land value taxation whenever the subject comes up.

**Marton Tardos**, M.P. (Liberal), Chairman of Parliament's Economic Committee. Mr Tardos said that his father having been a Georgist and his wife being the grand-daughter of Gyula

J. Pikler (who introduced land value taxation in Budapest in 1917) and who published the Georgist Journal *Allam es Polgar* (State and Citizen) for decades, he (Tardos) had not to be convinced of the soundness of Georgist principles. He wanted to discuss how they could be applied in today's Hungary. He also said that he regretted that a couple of years ago his possible participation at a conference arranged in Russia by Fred Harrison had come to naught. With his knowledge of Russian and good relationships with Russian economists he would gladly participate in any future conference if his advocacy could help. **Endre Miklossy**, Director General in charge of the Department for Regional Development of the Ministry of the Environment and of Regional Development (member of HHGS). He received Mr Dunkley in the company of **Bela Varga-Otvos**, editor-in-Chief of the periodical *Falu — Varos — Regio* (Village — Town — Region). He is a member of HHGS. Mr Miklossy has worked out a plan for the introduction of land value rating as the sole revenue of municipalities — to replace the present sharing of income tax between central and local government and sundry local taxes — and he hopes to have it accepted by his ministry shortly. It will then have to be submitted to the government by his Ministry, the Ministry of the Interior and the Ministry of Finance.

Tardos, Vitanyi and Gaal promised to give the proposal political support when it comes up from the administration. (Hungary's government is at present a socialist-liberal coalition.) Miklossy asked Mr Dunkley whether it would be possible to send somebody (who would not necessarily be a ministry official) to South Africa to study the valuation process in Johannesburg or some other suitable city. Mr Dunkley

thought that this could be arranged — as long as it did not involve any expenditure to the valuation department involved. It was agreed that a request to this effect should be sent to Mr Dunkley on the Ministry's letterhead and that after a positive reply the matter should be pursued with the embassy of the RSA in Budapest. — **Tamas Tetenyi**, Under-secretary of State in the Ministry of Finance. Dr Tetenyi was Mr Dunkley's only interlocutor who had only a faint inkling of Georgism; he received Mr Dunkley in lieu of Secretary of State **Tibor Draskovics** who had been called away to attend an urgent conference on municipal revenues, which was to be discussed in the council of ministers next day. Tetenyi is in charge of working out a new housing policy concept by the end of September and was glad to accept Mr Dunkley's offer to send him a paper which he had presented to a conference on this very subject a few years ago. Dr Tetenyi would also welcome any material that he might use in the preparation of the budget reform and tax reform which is now being elaborated for submission to Parliament before 1998.

Mr Dunkley also met **Zsuzsanna Karpati**, a member of HHGS who is an economist who has written a number of articles on land value taxation in several newspapers.

These meetings were arranged by **Arpad Fay** and **Charles Ravasz**. The politicians were all extremely interested in a land tax, particularly at local government level as a starting point. Many pertinent questions were raised about details of application and they would welcome assistance in methods of establishing a valuation roll. This will be taken up with officials at some South African cities which apply site value rating and which regularly update their valuation rolls.

# THE IDEA OF PROGRESS

RICHARD NOYES

TWO THINGS are on my mind both of which converge into one conclusion.

First: we who see merit in the so-called Georgist concept have a critical need to get ourselves "into the public dialogue". Second: there is open to us right now a logical new door through which to enter.

A relatively new "non-profit public-policy organisation" is at work these days in San Francisco (where *Progress and Poverty* was written) on a new economic measure to replace the American GDP.

They call it the GPI — for Genuine Progress Indicator.

Three of its key people have written a piece called 'If the GDP Is Up, Why Is America Down?' which appears in the October 1995 issue of the *Atlantic Monthly*.

Its 11,000 words are comprehensive, covering the history of the GDP/GNP, the practical application of it to today's perplexing economy, and the growing confrontation between economists who insist that it shows that things are just great these days and the public which knows better.

After an exhaustive (but far from exhausting) presentation of the idea, the authors get round to the tax implications of their proposal. Here is the effect they believe it would have in that key area: "To put it simply, the nation would cut - or if possible eliminate — taxes on work and enterprise and replace them with increased taxes on the use of natural resources."

Where have we heard that before?

As a political activist these days (or, if you insist an active politician), I am convinced the Georgist concept is rising to the surface right now. We are winning. The ideas are steadily emerging, not so much out of our efforts as out of the bubbling historical cauldron, spontaneously.

Free Trade, Free Enterprise Zones, planning and zoning laws based on the fact the earth is ours. And, of course, liberty and freedom which are the root of it all.

OUR TROUBLE is simply that people still refuse to see the value of putting a tax on land values or settling for a single tax, or recognising quite yet that land and the products of labour and industry are different.

But all that will come, because it has to come, and we need only to be: first, patient; and second, social (which

is to say, in the public dialogue).

The related concepts of a 'flat tax' and an 'end to the Internal Revenue Service' are both legitimate, viable ideas in the rapidly developing political mix these days. They aren't exactly what we want: they are only part-way measures. But they are both logical for a society that is heading in the right direction.

I said in my paper to the International Union for Land Value Taxation at Roskilde in July that the log-jam we face as social reformers is the fact that all too few people see that there are two kinds of "property" and therefore two bundles of "property rights."

Redefining Progress is already seeing the dichotomy in, for instance, "the so-called 'takings' bills, which would require taxpayers to compensate property owners for restrictions on the use of their property." I touched on that key distinction in my paper at Roskilde, which faced up directly to the well-chosen theme of that conference.

It is a distinction which, as the authors of the *Atlantic Monthly* piece realize, came into sharper focus when the Walt Disney company proposed a new theme park near the Civil War battlefield in Manassas, Virginia.

"[Pat] Buchanan and numerous other tradition-minded conservationists joined environmentalists in blasting the proposal," they remind us.

It is not far from there to a realization that the word "property" is too complicated to be used without a qualifier: property in land, or property in wealth?

The challenge for Georgist politicians these days is not to win back for Henry George the honour he deserves, but to recognize how steadily his realizations are coming to the forefront of public awareness, albeit bit by bit and piece by piece. But there is both consistency and continuity to the process.

It is happening right now, all along.

"The GPI has been several years in the making," the authors say, "and we will continue to refine it. But already it appears to have touched a nerve in the economics profession and beyond."

The twinned motivations for this piece come together right here. We need to be in the public dialogue, not the fusty dialogue of single tax quibbling, and, if so, the nerve that appears to have been touched will send us signals.



## SAO PAULO Gunfight

NEARLY 80% of farmland in Brazil is owned by 10% of the farmers, which explains why landless labourers are the target for the death squads hired by landlords. In the latest round of killing, 10 people — including a seven year old girl — died in a shoot out over land in the northern state of Rondonia.

The land was occupied by families who claimed that, under the law the government is entitled to take land that was not being used productively and allocate it to landless families. But a local court found against the squatters and sent in the police. That's when the shoot-out occurred, with two policemen also falling victim.

According to a spokesman for the church-backed CPT land commission: "The major culprit is the federal government which is not carrying out a and reform to solve Brazil's social problems."

President Cardoso was elected on the promise to carry out "profound change in the countryside." He pledged to settle 40,000 families in his first year in power, and 280,000 families during his four-year term.

• Over 950 labourers, their lawyers and union leaders have been killed in the last 10 years over land disputes, reports Angus Foster in *The Financial Times* (London: Aug. 12).

## ROME Counter-revolution?

UMBERTO ECO, Italian philosopher and author of the global best-selling novel *The Name of the Rose*, analysed the roots of Mussolini's political movement in *The Guardian* (London: Aug 12), and notes: "The Fascist Party was born boasting that it brought a revolutionary new order but it was financed by the most conservative among the land-lords who expected from it a counter-revolution."

## DAMASCUS Peace dividend

LAND PRICES are soaring in a village that lies below the Golan Heights. Although Syria has yet to sign a peace treaty with Israel, speculators confidently expect that the guns will be put away — and that the money can be used to buy land. So developers are already making fat profits by erecting houses, some of which are sold for £200,000 — twice the cost price! The property boom is the early signal that Syrians expect a big reduction in the 60% of GDP that is spent on the armed forces.

## ALTON Marching armies

CROMWELL'S troops once marched over the hill at Greenfields in Hampshire to fight it out at the Battle of Alton. Today, another war is being waged over the fields. This time, the land — much of it owned by construction firms — want to build houses. Residents of the town object, because they want to retain the view of the surrounding hills from their homes. And besides, as a local Councillor says there are "plenty of smaller sites available in the town that could be used for this kind of development."

## PARIS "Sick" society

FRENCH housing minister M. Pierre-Andre Perissol branded as "sick" a society in which the homeless and empty buildings co-existed side by side. M. Perissol caused a rumpus in the property industry when he declared on August 29 that his government would requisition vacant office buildings from banks and insurance companies to house the homeless.

The minister aims to take control of more than a dozen buildings to provide 500 dwellings under a 1945 edict,

but his actions were condemned by one Parisien newspaper as "more of a refuge for the politicians than the homeless".

France has a homeless problem estimated at 670,000. According to M. Jean-Baptiste Eyraud, president of a pressure group that represents the homeless: "It is necessary to break the situation where buildings remain empty and rents remain high."

• Germany's homeless problem is put at 875,000, compared with Italy (150,000), Belgium (24,000) and Spain (45,000).

## HARARE Gay distraction

PRESIDENT Robert Mugabe has found a novel way of distracting the political discontent of people who are going hungry in the rural areas. Drought has exacerbated the consequences of the government's failure to introduce land reforms. But Mr Mugabe has found a new cause: attacking homosexuals, reports Andrew Meldrum in *The Guardian* (London: Aug. 14). According to the president, "It cannot be right for human rights groups to campaign to dehumanise us to the status of beasts". But the country's landless peasants think that the 60% rise in the cost of basic foods and fuel is a more pressing problem.

## EDINBURGH Clearance sale

KNOYDART'S future is once again uncertain, as this Scottish peninsula estate overlooking the Isle of Skye goes up for sale for the sixth time in 25 years. Previous owners, claim the 50 residents of the estate, buy it for recreation rather than to invest in the livelihoods of the tenants. But the sale in 1985 was to a Surrey property firm which bought the estate for

£1.8m., sold parcels of the land for a total of £2.5m and then sold what was left of the estate, 17,200 acres on the north-west coast, to the present owners for £1.7m. Now the Knoydart residents' association have decided to create a charitable trust so that, sometime in the future when their land comes up for sale again, they can buy it for the community. Support for the trust comes from former Olympic athlete Chris Brasher, who says: "How on earth can a country allow a situation where someone from Timbuktu can come along, write a cheque for £2m and buy a great chunk of the UK? There must be some alternative."

## PRETORIA Property rights

SOUTH AFRICAN land minister Derek Hanekom has come under criticism from within his own African National Congress for wanting to delete the statutory protection of property rights. Mr Hanekom wants the property clause dropped from the bill of rights, so that the Mandela coalition government can proceed with a land reform programme.

## WASHINGTON Rights and wrongs

TELEVANGELIST preacher Pat Robertson, leader of the Christian Coalition, has upset civil rights activists by trying to persuade President Bill Clinton to roll out the red carpet for Zaire's head of state, Mobutu Sese Seko. Human rights organisations have condemned the Zairean president's record, but Mr Robertson says that it is time to forgive and forget. Mr Robertson has a major financial interest in diamond and gold mines and thousands of acres of rainforest in Zaire.

# "Corruption": Con or Conspiracy?

PETER POOLE

WAS THERE a concerted effort to suppress the wisdom of Henry George? This is the allegation by California economist Mason Gaffney, who has characterised the attack on the 19th century American social reformer as a "stratagem".<sup>1</sup> Some critics regard this claim as too strong an explanation for the way in which fiscal policy has been distorted in favour of exempting the rent of land.

A "conspiracy" can come in various forms. A recently revived example from the late 1930s was the way in which George Orwell's book *Animal Farm* was rejected by a succession of publishers because it used satire to attack Stalin's Soviet Union. The book was not turned down for literary reasons, but because the British Establishment did not want to antagonise an ally. Publishers were not censored. They were free to publish. Instead, they responded to the whispers in their ears by repeatedly rejecting a book which was to become an English literature text for schoolchildren. Orwell's analysis of the resistance to his MS appears in the introduction to the latest edition of *Animal Farm*.

A more recent example of how vested interests can shape public discourse - and therefore political action - is the ostracism of Noam Chomsky, a linguistic philosopher at Massachusetts Institute of Technology. He gained a reputation as an outspoken critic of US foreign policy during the Vietnam war. Chomsky can still pack a public auditorium today, which he proved when he visited London earlier this year. But search through the back numbers of newspapers and you will find scarcely a mention of him. There is an unwritten code that bans him from the public's consciousness.

The nature of the prism that filters out ideas that are awkward to the conventional way of thinking was recently explored by Howard Margolis, a student of Thomas Kuhn's. Kuhn had argued that science is constrained within certain limits until, one day, a discontinuity occurs in the way people see the world, a new way of thinking or "paradigm shift" explodes on the scene. Margolis seeks to understand why intelligent people such as scientists can stick with a theory whose time has long gone, and he decides that it is basically to

do with a "habit of mind".<sup>2</sup> Until the mind is ready to change the habit, clever folk can keep on saying that the world is round - but so far as the bastions of received opinion are concerned, it remains *flat*! And woe betide anyone who is too loud in contradicting that opinion.

WAS Henry George the target of vested interests? One illuminating way to gauge the treatment accorded to his fiscal philosophy is to review the history of the treatment of the advocates of his policy. Tom L. Johnson, the Mayor of Cleveland, was one such campaigner for fiscal reform. He reaped popular support for his policy of low-fares for public transport. He used the increases in rents that flowed from improvements to transportation to cover much of the costs of public transport. This policy was rationalised years later under the economic concept of "marginal cost pricing".

In his autobiography, originally published in 1911,<sup>3</sup> he wrote: "In Cleveland, as in these other cities, there was organized as if by instinct a sympathetic, political-financial-social group whose power and influence made itself known the moment it was touched. It included the banks and trust companies with their directors. Banks that did not sympathize with this conspiracy were coerced by fear into compliance with the will of the stronger institutions. Through the banks, manufacturers, wholesale and retail merchants were reached. Business men who openly sympathized with the low-fare movement were called to the directors' rooms in the banks and advised, sometimes in guarded language, that their loans might be called or their credit contracted....cowed at meetings of the Chamber of Commerce....threatened with boycott. The lawyers were almost a unit. At one time fourteen of the leading law firms of the city were employed against the movement. Many physicians and in a large measure the clergy were affiliated with this class....all who were seeking favor socially, professionally or commercially, lined up with Privilege.

"The newspaper persecution of Mr. Johnson was not confined to Cleveland. A publicity bureau supplied the country papers of the State with material.

"To all of this was added the power of social ostracism. It was carried into the clubs and employed against all who distantly believed in or liked Mr. Johnson.

"For the greater part of nine years," writes Frederic C. Howe, "Cleveland was an armed camp. There was but one line of division. It was between those who would crucify Mr. Johnson and all of his friends, and those who believed in him. If any kind of cruelty, any kind of coercion, any kind of social, political or financial power was left untried in those years to break the heart of Mr. Johnson, I do not know what or when it was."

MASON GAFFNEY, reading those words, has no doubt about the organized nature of the opposition to Georgist policies. He replies to those who are sceptical about his identification of such a stratagem by referring to the Johnson example: "This is not a 'conspiracy' of schemers plotting cabals in dark rooms. It is wide open, so much a part of daily life and society it is too painful and challenging for most people to acknowledge it, even to themselves.

"If we are to prevail, we must see it for what it is, so we can brace ourselves to face it. Basic reform is not a picnic. Privilege strikes back. You need fire in your belly and steel in your spine.

"You must be ready to go it alone at times. You must be ready to see some of your allies bought out, and regret it without bitterness or personal spite, for these will destroy you. That was Johnson's great gift, a greatness of spirit. He knew men, their weakness, their dumbness, their cowardice, their venality - yet he loved us all anyway, and forged ahead, winning many great victories. He was a giant in the earth, like Edward McGlynn and Henry George. To prevail as they did, we must be ready to sacrifice as they did, and rise to their stature."

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2 Howard Margolis, *Paradigms and Barriers: How Habits of Mind Govern Scientific Beliefs*, University of Chicago Press, 1993.

3 Tom Loftin Johnson, *My Story* (ed: E.J. Hauser), New York: B.W. Huebsch, 1913.

# “No Tax” plan: the Big Idea for victory

RONALD BANKS, the author of this Open Letter, is chairman of the London-based Land Policy Council. In 1989 he edited *Costing the Earth*, the book that provides the data on land values from which budgetary reform can begin along the lines proposed here to the leader of Britain's Labour Party.

Dear Tony Blair,

**S**o! You think you can win the next General Election. But what makes you think you can deal with the economic problems which beset the nation at this moment, and which will not go away?

Massive social spending that necessitate higher taxes which hurt production, spending cuts which harm the worst off in society, or a combination of both, all of which produce a vicious circle not capable of resolution?

Economists have given you a limited number of tools in the toolbag. There is no perception within the economic discipline of how to solve the western world's problems. It needs a giant shift of imagination for new avenues to be opened up to expand the economic discipline.

Take the 'feel good' factor. This is predicated upon some kind of inflation — not too much (or else there is too much public concern) — but enough to produce constantly rising house prices. This also produces what is known as the 'wealth effect', a phenomenon which in 1988 created a bank and building society second loan explosion of £24bn over a 12-month period. This far outdistanced the £5.7bn give-away which Chancellor Lawson created in the budget that spring. Supply problems followed which meant a massive increase in spending on foreign goods, leading to deficits in foreign trade. Home grown supply was not able to cope.

The 'feel good' factor is always a precursor of the 'feel bad' factor, which entails the 'cure' to restore the 'feel

good' factor — high interest rates, higher taxes and expenditure cuts which hurt the most vulnerable in society.

If governments are really serious about keeping inflation under control, which the Tories have done 'successfully' during the recession years, then what we are experiencing today is the likely on-going 'feel good' factor with only a little improvement. This is it! The new 'feel good' factor, unless inflation is allowed to rise again.

Expectations need to be changed. Unrealistic expectations, whether in personal finances, health and education, have to be tackled by all political parties — *unless* new economic policies can be introduced which cut thorough these limitations. Certainly, feelings of relative security in the job market are not going to be there. They are never there for the employees in the Pacific Basin, the most dynamic economies in the world at the present time. Jobs for life may be the old fashioned objective of the trades union movement, but modern economies will not be predicated on such a notion.

**T**he new economic paradigm which I am urging you to consider encompasses a revitalised public revenue programme — collecting revenue while at the same time cutting taxes. A contradiction? Not if we return to classical economics or, more properly, geoclassical economics, where land and its rent assume their proper place in the debate about public finance.

The proposition is that you call for a 'No Tax' strategy! There are some taxes which need to be kept - not for revenue

purposes (although the revenue collected will be substantial) but mainly for reasons of health and energy conservation. Tobacco and alcohol taxes would stay, with a tax of some sort to promote energy conservation (including the present tax on motor fuel). Although these taxes are for specific, non-financial reason, the revenue will be considerable.

The economic basis for the 'no tax' strategy is the concept of *public* and *private* value. Failure to distinguish between these two concepts has kept economics in a parlous situation for 100 years or more. The merging of the two 'values' has seriously hindered a more just system of public revenue collection. Value is currently taxed from whatever source it comes. This means that private endeavour is taxed and therefore discouraged, while windfall profits from the value of public works are taxed only on the same basis as value from private endeavour, if at all.

This latter point needs elaboration. The fact that taxes on private endeavour discourage production, employment and saving is axiomatic. However, there is a value, a public value, which lends itself as a suitable and fair source to finance public expenditure. The Labour Party has had many attempts to implement such a policy. They tried in the early twenties and again in 1931. Herbert Morrison also tried in 1939, specifically for London. The policy attempt was a good one, and comes close to what I am suggesting.

After the second World War, Labour lost its way in this area and introduced several policies which had the opposite effect of what was intended.



Our proposals deal with a number of aspirations which the Labour Party has had for most of its existence. These include: a just land policy for all citizens; sweeping away unjustified profits from speculative deals in land; a banking system which funds and finances *productive* investment and not speculative land deals; a tax policy which leaves earned income free of taxation and raises public revenue from income derived from public investment. All of this leads to a positive impact on the economy, especially on jobs and productivity and the ability of the public purse to provide for the needs of the most vulnerable in society.

Conservatives call themselves the 'tax cutting' party, with very little evidence to show that to be true. The Labour Party can call itself the 'no tax' party — a powerful counter to the Tory case. Of course, the case needs to be carefully presented and obvious Tory objections catered for. This we can do with you and your team.

In the 1960s and 1970s, when the Liberals were hawking their local tax strategy, which they called Site Value Rating (a poor substitute for the grand strategy we are urging), the Conservative counter-attack included the claim that the "Liberals were taking the ground from under peoples' feet". This was a recognition that under our proposals the price of land would be reduced, possibly close to zero.

In all taxation changes, as is obvious, there are winners and losers. And, of course, there will be some heavy criticism from the big losers, who will include not only big landlords but the institutions which finance them. None of these institutions can expect to retain the privileges which they enjoy at the expense of the rest of the community, but all of them would benefit from the cuts in taxation.

We have mentioned these negative aspects from the very start because they have to be taken seriously. However, they do not constitute a reason for not introducing a policy which will redress injustice and revitalise the economy to everyone's benefit.

On the immediate credit side, these proposals will be to the immediate benefit of a number of 'constituencies', sufficiently numerous to win any election.

This is the plan. After a valuation of all land in the United Kingdom, its annual 'rent' will be published to allow for appeals and any inconsistencies to be redressed. This annual rent will represent the amount of public revenue available to the public purse for the first year of operation. This will also be the figure (estimated to be at least 20% of the GNP) for cutting taxes. The Government must not cheat! The amount of land rent collected must be balanced by an equivalent tax cut.

The type of tax cut will vary with the Government's priorities in economic policy. For higher employment, the tax cut will be targeted at employer's national insurance contributions, maybe corporation tax, and any existing tax which is perceived to discourage employment.

For increased investment and research, the target will be corporation tax. (These tax cuts will, of course, have a positive impact on other parts of the economy.) To increase spending in the shops, the targets will be VAT and cuts in income taxes.

What should be deduced from the above is the kind of 'constituency' which would benefit immediately without any need to take account of balances between tax cuts and land rent due to be paid.

The poor, the homeless and the unemployed, all classes with very little or no interest in landed property, would gain from the tax cuts. No negative effects! Most property owners would find that the payment of land rent would be less than the benefits they receive from the tax cuts. This would be the case for most of middle England, a primary Labour Party target for winning the General Election.

Those who make a profit solely out of land, renting out residential or commercial property, would probably lose, although this is not certain, since the tax cuts would also apply to these classes. The mechanism for evaluating this balance between land rent due and tax cuts is to capitalise the tax cuts and compare this figure with the reduction

in the value of the taxpayer's property. Most home owners will be better off because so much more public value will be collected to compensate. Home owners will also recognise that housing for their children and grandchildren will be easier under this scheme.

The valuation process itself is a simple matter. Hector Wilks handled two valuations in Whitstable, Kent, in 1963 and 1973. The whole country could be covered within a year, with a further six months for appeals.

One of the really exciting features of this policy is the basis for our optimism for the future: taxation reduces land rent to a considerable extent. The higher the taxation, the lower the land rent.

Just consider the effect on the economy of the first year's tax cuts and the collection of land rent for public revenue. The impetus to the economy would be immense: from increased employment, increased productivity, higher spending and greater confidence and security. From all these factors, land rents would rise again! A further valuation would give a new figure for land rent collection and, therefore, a new figure for more tax cuts.

The ultimate result would be effectively to abolish taxation, with the exception of those health and energy taxes mentioned above. The title of the above policy: 'Land Rent as Public Revenue'.

It will take a huge imaginative shift (and a lot of courage) for a political party to espouse this proposition. But there is a big prize there for the taking. The British economy, along with others in the western world, is close to economic collapse. The huge demands for funding the ever-growing social and health needs in the future is becoming intolerable. Your own policy ideas are just tinkering at the edges - a more efficient and humane version of Conservative Party policies.

You want a 'Big Idea' to ensure victory at the next General Election — here it is!

Yours sincerely,  
Ronald Banks.



# The Definition of Land

KENNETH JUPP

**I**n *The Science of Political Economy* Henry George refers to three possible definitions of Land:-

The original and *ordinary meaning* of the word 'land' is that of dry superficies of the earth as distinguished from water or air... As a *law term*, land means not merely the dry superficies of the earth, but all that is above and all that may be below, from zenith to nadir... as a *term of political economy* [land] comprises all having material form that man has received or can receive from nature, that is to say, from God." (Bk.III Chap.XV; first two paragraphs).

It is becoming more and more apparent that Henry George's choice of the *economic* definition of 'Land' in preference to the *legal* or the *ordinary* definition was most unfortunate. It has given rise to a great deal of confusion among Georgists and, naturally enough, among those to whom they have unsuccessfully tried to explain Henry George's philosophy. He could have chosen any of the three senses: ordinary, legal, or economic. In choosing the economic definition he was probably influenced by the legal definition - all that is above and all that may be below the surface; but so much of what in his day was included in the legal definition has since been taken away from the landholder's control. Coal and other minerals have been nationalised, and the air has been internationalised. This is no longer a reason for adopting the economic meaning in explaining Henry George's

philosophy. The ordinary meaning would have been best, because it could not have been misrepresented, as has the 'economic' definition he chose.

First of all, the modern economists do not always use, and in any case do not stick to the economic definition, and even if they did, they would see no particular importance in it.

Secondly, the concept involved in the 'economic' definition is extremely difficult for ordinary people to grasp. Most people associate 'land' with rural acres, and forget the land that has disappeared under buildings. If they can be brought to realise the importance of the latter because of its greater value, they still cannot see how the value of land in the City of London is 'received from nature, that is to say from God'. This, it is suggested, puts a barrier in the way of people to-day, when religion is not much in vogue, trying to understand the true depth of Henry George's philosophy.

Thirdly, Georgists themselves do not stick faithfully to the 'economic' definition, especially when they are considering the enormous value attaching to city-centre land. This value is, of course, due almost entirely to *location* - ie. proximity to all that the human race past and present has done, is doing, or is expected to do, which enures to the benefit of the fortunate holder of land in that particular spot, unless he is compelled to pay it to a landlord as rent. Although it is true that the

efforts of the whole human race, and their outcome in roads, railways, tunnels, bridges, airports etc. do derive from 'nature, that is to say from God', this is not obvious except to people of acute religious sensitivity. The majority of people regard any artificial structure on earth as created by Man.

Henry George's vision goes much further and deeper. He looks to the First Cause of all things. His 'economic' definition quoted above made it quite clear that the power which creates wealth of whatever kind is the creative power of God. When economists, and indeed most people, use his definition they often overlook his reference to the Deity, and omit it from their explanations. Many Georgists, for example, would say the early primary factors in a food-gathering economy are Man and Land, or Labour and Land. However, that is dualistic thinking. Nothing comes out of two forces. Science says any force produces an equal and opposite reaction. A third force is necessary. Hence the Christian doctrine of Trinity, or the Indian Non-dualism ('A-dwa-ita') which also deals only in trinity deriving from the Absolute One. To the religious when they come to think of it, the overall force which works through Man and through Land (in the Georgist sense including all of Nature except Man) to produce wealth, must be the Creator. Dualistic thinking is divisive and wreaks havoc in our time: Black and White; East and West; Labour and Capital, etc.

and of course the current rumpus about Gender. It helped to destroy Marxism in spite of Marx having adopted Hegel's 'thesis, antithesis, and synthesis'. Henry George avoids this error when he speaks of all the material things having form that man receives "from nature, that is to say, from God".

We may reasonably take 'God' or 'Nature' as a name for the primal energy which enlivens and works through everything in the universe, including Man. In theological terms this is indeed the doctrine of the Immanence of God, which Christians are bound to hold in parallel with the doctrine of the Transcendence of God (Oxford Dictionary of the Christian Church sub verb. 'Immanence'). Indeed the Physiocrats of the 18th century whom Henry George admired used the word Nature to signify God - *Laissez faire la Nature*.

Using 'Land' in the strict economic sense adopted by Henry George as comprising *all having material form that man has or can receive from nature, that is to say, from God*, then we have a trinity of God, Man, and 'Land'; three factors which adequately describe the 'Adam-and-Eve' economy, in which Man is simply a food-gatherer consuming the natural fruits of the earth - part of 'land'. In this triad, God is the primal force or energy which breathes through and activates both Man and Land.

In truth Henry George could just as well have used 'Nature' instead of 'Land' in this case. Strictly, it is the 'rest of Nature', because Man is part of Nature, and we have separated 'Man' from 'Nature' in constructing the triad. To isolate Man in this way is perfectly right; for God gave Man dominion over the rest of Nature (Gen. 1.28). God, Man, and 'land' (the rest of Nature as Henry George defined it) are the primal trinity whence wealth proceeds.

These three factors suit the Adam-and-Eve economy of food-gatherers. The same is true of the Nimrod economy, when Man is the Mighty Hunter, so long as he makes his own weapons, nets, traps etc. Similarly when Abel was a keeper of sheep - in the pastoral economy; and when primitive Man began to till the ground - the agricultural economy of Cain. If he made his own tools, the three primary factors are unchanged. It is still God working through Man and 'Land' - i.e. the rest of Nature. Tools are a secondary factor. So is the seed corn he saves and puts in store. These are 'capital', but their use and manufacture are confined within the word 'Man' in the triad, because he alone both produces and uses them.

Specialisation and exchange (trading of products) change all this. Man the producer now buys his tools etc. from another producer who specialises in making such goods. At first this is merely, in Henry George's terms, 'directed' co-operation between the two. But increasing specialisation soon fragments production. Numerous subsidiary producers make minutely detailed parts of a total product so that the producer of the whole depends more and more on what Henry George calls 'spontaneous or indirect' co-operation from others doing apparently unrelated productive work at a distance in both time and space from the primary producer. Hence a new feature: the necessity to be in a position to take advantage of the work of others who indirectly and unconsciously co-operate with the producer's work in what is now an intricate market economy. Man producing wealth needs to be in close touch with other human beings and the market. Location is all important to him.

Robinson Crusoe was fortunate that his island was adjacent to the wreck from which he was able to

salvage considerable tools, equipment, and stores provided 'unconsciously' by collaborators in a distant land. The first settler going West into 'the unbounded savannah' had with him in his covered waggon tools and stores of seed etc. brought from the populated East.

Specialisation and exchange thus splits 'Man' into isolated units of individuals or groups who do not, any of them, make the whole product unaided. Each unit of production (an individual or company) needs not only nature but also the assistance of some of the rest of mankind; and the three meet at the location on land where they carry on their production.

The advantage of location is readily understood by estate agents and others - not least those who profit by the buying and selling of land. Location becomes increasingly important as industrial society develops, with ever-increasing specialisation and ever-expanding markets. Henry George describes this diversification of production in its 19th century culmination in Book III, Chap. X (*ubi sup.*). His superb description of a ship at sea under full sail demonstrates two types of co-operation. Both 'directed or conscious' and 'spontaneous or unconscious' co-operation contribute to the spectacle. A hundred years of advance in science and technology since that time would illustrate the distinction even more forcibly in, for example, the launching of a satellite to travel in space, or the construction and firing of a nuclear weapon.

At some point in this widening and diversifying of the market the 'economic' definition of 'land' has become an embarrassment. Clearly it is 'land' in the original or popular sense - 'the dry surface of the earth' - which has become so very valuable. Those who do not realise this - there are a remarkably large number of such! - could surely be taught it. They

could also more easily grasp the importance of 'land' or 'ground', which tends to lie unobserved or forgotten underneath buildings. Ground rents still exist in England; but it is only in the case of rural or agricultural land that they can comfortably be considered as payment for what a man receives 'from nature, that is to say from God'.

'Land' in its ordinary meaning would equally suit the Adam-and-Eve economy, where Land gives access to the fruits of the earth, or the advanced agricultural economy, which still depends to a large extent upon the resources of Nature such as water, sunshine, trees, and the fertility of the soil etc. but in increasing measure nevertheless upon location - nearness to markets, roads, rail, centres of population etc. It suits the extraction of minerals in the same way; a place on the surface of the earth is needed from which to quarry or mine.

It also suits the most advanced economy of to-day, where, in the centre of a big city, Nature's effect on the value of land is comparatively small; while that of location is paramount - because it can give access to the 'spontaneous or unconscious' co-operation of the whole of the national and international community. The benefit to the landholder is reflected in its rental value - its ground-rent.

In the most primitive economies, sparsely scattered nomadic tribes move wherever the whim takes them, without encountering rivalry or opposition in their wandering. In these circumstances Land, in the ordinary sense of that word, is of little or no importance. Nevertheless the ordinary meaning could be used for this and other primitive economies. It is when Cain, the tiller of the soil, in order to reap what he sows and to enjoy the full fruits of his labour, has to enclose the land he has cultivated, and call it 'his', that trouble begins.

He slays his brother, the keeper of sheep - they would spoil his crop! - and the mark of Cain (fighting over 'land') has lain upon Man ever since. In modern history the Australian settlers and the Aborigines, the New Zealanders and the Maoris, the Americans and the Red Indians, serve to illustrate this.

From this point onwards, 'land' in its ordinary sense becomes an essential factor in the economy, growing in importance with developing science and technology. To produce wealth Man must have Land, ie. a patch of the earth's surface; and, if he is to reap the reward of his endeavours (metaphorically, what he has sown) he must enclose it. Moreover the individual or company of individuals who engage in any productive enterprise must have particular land suitably placed to afford them the natural resources and the co-operation of the local, or as the case may be, the national or inter-national community which their type of work requires.

By distinguishing between Natural Resources and Co-operation we have in fact brought about a change of scale. We began with God, who distinguished *Man* from the rest of *Nature*. We have now had to divide Man into wealth-producing individuals or companies; and divide the rest of Nature into other people, and what remains of it - now better called 'Natural Resources'.

Each and every man and woman has to have Land, by which we mean a piece of the earth's surface reserved to us: the ground on which we lie to sleep, until we are able to build on it some form of dwelling - be it a tent, a cabin, a bungalow, a house, a block of flats; the ground we must have to work on, even if to enable us merely to collect the fruits of the earth; drink from the streams, hunt in the woods and so on; or the ground we need, in a more advanced economy, to

cultivate, or to build a shed on, or a workshop, a factory, or a block of offices. We now have particular individuals or groups, on particular land, taking advantage of Nature and of the work of others to the extent afforded by that land.

The Godhead is of course still there! but is more remote. Its creative force remains the source of all life and energy, and works through particular individuals, through Nature which surrounds them, and through other individuals or groups whose co-operation they enjoy from the platform they have acquired on the surface of the earth where these forces meet.

Man was cast out of paradise long ago, and from the immediate presence of God. The ground was cursed for his sake, and he was condemned to earn his bread by the sweat of his face. Not unnaturally, if he is conscious now of the existence of God he is quite likely to feel it not as a presence, but as something rather remote.

Henry George's definition of 'land' clearly suits the early types of economy. It suits the more advanced, and the most advanced up-to-date economies as well; but only so long as the words '*from Nature, that is to say from God*' are never omitted. Henry George was right in insisting that the co-operation which went to making and sailing the "square-rigged ship" of his illustration is miraculous; to the savage "a higher expression of the same power which he himself exercises in his own rude constructions". This religious basis of Henry George's definition of 'land', is to-day, when religion is in decline, a barrier in the way of most people trying to understand the true depth of Henry George's remarkable philosophy. Yet to abandon his basis while retaining his definition does nothing but confuse. Would it not be better to adopt the ordinary meaning of the word 'land'?

# BLASPHEMY AGAINST GOD'S ABUNDANT PROVISION

*Economics — A Christian View*

Kenneth Jupp

Available from Land and Liberty Press

THE PROBLEM with pamphlets is that they can be as light in content as in form. However, as one would expect from one of Sir Kenneth's record this is so rich in considerations legal, historical, social, religious and philosophical that it takes some digesting. Even so, like Oliver, we must ask for more!

Sir Kenneth gives a wide review of the consequences of failing to respect the God-given in economics. He recognises that exclusive occupation of land is not merely an opportunity for labour but the very condition of its existence; that conflict over it is a matter of life and death and war. He describes how slavery is made possible by landlessness; how its abolition merely freed the slave owner from welfare costs creating a more helpless dependency.

He outlines the long history of the collapse of kingly feudal power through the transfer of rental advantage to the barons; how the God-given land became a commodity; how the breakdown of upward feudal obligations forced Kings to hire standing armies; how in the confusions of plagues and civil war opportunists took their chance "to join house to house (and) lay field to field, till there be no place, that they may be placed alone in the midst of the earth" (Isaiah 5:8), and the great sea of landless "rogues and vagabonds" was created. This destitution brought a massive increase in the use of imprisonment, the death penalty for more than 150 crimes, dependency, and the industrial growth that flourishes on wage slavery.

He suggests that today we live with the outcome in the great centralisation of government consequent on the collapse of devolved feudal obligations, and the high taxation of even quite poor people as a result of the wresting of rent revenue from the centre by landed and commercial barons. Taxation falling on the very poor prevents them acquiring capital for production, let alone land, or binds them

to extensive borrowing. So we have the impotence of the poor and long term unemployment.

"Successful" entrepreneurs and workers at all levels, Sir Kenneth argues, are now burdened by an expensive central administration with obligations to pay numerous taxes which inhibit deployments of labour and capital, and thus the creation of wealth out of which such taxes must be paid. A vicious self imposed circle which makes the euphemisms of "Welfare" and "Social Security" blasphemies in the face of God's abundant provision.

He has more to say, of course, particularly on money, banking, monopoly and so on and outlines six areas for Christian action and study.

Throughout, he relates these observations to scripture, demonstrating that our oldest cultural injunctions clearly demand that we recognise that "the Land shall not be sold for ever; for the land is mine." (Lev 25:23) He notes that Christ's first sermon (Luke 4:19) drew on Isaiah's text which refers to Leviticus which calls for their ancestral land to be returned to the landless in the 50th year, the Lord's year.

We have the Law and the Prophets and there is no excuse.

THE MORE I would like to ask for concerns the philosophy of economics with which he begins his pamphlet. He has little space to establish the validity of some interesting ideas (I suspect he would not call them merely "ideas"). This makes it hard to be sure of them or use them. (It would help to have more references for one's own reading.)

For instance, he deploys a concept of Natural Law without much explanation. Some understand Natural Laws to be the fundamental forms of the universe, describing the relations of all things. The law of gravity? That time is successive mostly in one direction? The laws of supply and demand? He argues that where

man made laws conflict with Natural Law disruption of the social fabric follows. But how can Natural Law be overridden? A law calling on us to override the law of gravity would cause no disruption because it would have no effect. Shooting a man in the head does not go against Natural Law. It uses Natural Law very skilfully to achieve its appalling consequence. A wine lake is made in accordance with Natural Law by increasing demand for wine through subsidy.

He argues, "It is essential to begin from the first cause. God is the creator of Wealth, as He is of all things." Indeed he asserts that the triune nature of God gives us the clue to the triune nature of all things and hence the three factors of production. (Interestingly, Kant's acceptance that a triune ontology is implied by experience brought a great advance in the philosophy of knowledge - that to experience means there must exist not only an experiencer and also that which is experienced, but that they are united within a third - the content of experience). But while it may be plausible to argue that some relations are triune it is another to argue that all relations are unless, as with physical law, one can frame a mathematics to govern all phenomena.

Sir Kenneth, himself, appears to break his triunity by very interestingly increasing the three factors of production to four. Capital, Labour, and two Given factors. He distinguishes benefits accruing from God through the natural environment (pure Land value) and those accruing from the community through the man made environment (Community value). God and Caesar. They must be different factors as they have different causes, elasticities of supply, and maintenance costs. The second can be destroyed without the former being (i.e. in war).

He suggests that a valuation of the former could provide a fund for the maintenance of the Church. But which church? Is this not a recipe for a sinecure? Might not religion be a great deal more real to us today if priests had to preach for their supper as the disciples did, trusting in provision? Does the Church, all too material in its fabric and history, deserve to be identified with the God-given now?

NICK DENNYS