

BOOK REVIEW

PUBLIC REVENUE WITHOUT TAXATION

by Ronald Burgess
Shepherd Walwyn, £18

IN THIS thought-provoking book Ronald Burgess argues the case for the abolition of all taxation and its replacement by the collection of a naturally occurring public revenue. Public revenue, in Dr. Burgess's terms, is a modified version of Henry George's single tax. Whereas George looked at the land question from a moral point of view, i.e., land is a gift of nature, should not be privately owned, but should be made available to those prepared to pay the rent for it to the community, Dr. Burgess views it in economic terms. The community creates land value by public expenditure and should recoup its costs from the resulting public revenue. He is careful to distinguish between privately created wealth and that which results from work by the whole community.

Before going into a detailed explanation of his proposals, Dr. Burgess analyses the reasons behind the failure of present economic policies. Policies that cause our recurring slump to inflation cycles and often create a terrible combination of both of these miseries - "slumpflation".

He argues that the so-called Keynesian school in its demand-side economics ignores the spirit and much of the theory of Keynes. Keynes never took the view that demand always calls forth its own supply, and high volume public spending as a policy prescription owes more to Beveridge than to Keynes. The reality of such a policy, Dr. Burgess points out, is that high levels of public spending necessitate high levels of taxation, which may need topping up by borrowing - a sure recipe for accelerating inflation.

Equally, the Chicago monetarists' supply-side theories have led to failure, although in a different way. By cutting public spending and controlling the money supply their policies

can squeeze inflation out of the system but only, it seems, at the cost of a return to large-scale unemployment.

Mrs. Thatcher's attempts to reduce the public sector by privatisation did not even manage to lower public spending. The new supply-side policies started in 1979 when tax revenue appropriated 38.6% of net national product at market prices. A decade later tax revenue was taking 40%.

Ronald Burgess points to this high level of taxation as a key reason for the conspicuous lack of success of both theories. In 1945 Colin Clark demonstrated, and Keynes agreed with him, that when government tax and borrowing exceeds 25% of the net national product, inflation becomes inevitable. Effective attempts at counter-inflation lead equally inevitably to increased unemployment. Demand-side and supply-side policies are incapable of eradicating inflation and unemployment at the same time.

Taxation, according to Dr. Burgess, is a principal cause of both inflation and unemployment, and a substantial part of his book is devoted to showing precisely how this happens. Drawing on the theories of Adam Smith, Ricardo, John Stuart Mill, Aifred Marshall, Keynes, Milton Friedman and Colin Clark, he stretches out his researches to include the work of Francois Quesnay and the Physiocrats, Henry George, St. Thomas Aquinas, Enrico Barone and Paul Leroy Beaulieu. He points out that the development of Keynes's general theory of employment leads to the conclusion that an open trading economy will be most prosperous only when all taxation is abolished.

It was the Physiocrats, also advocates of the abolition of taxation, who pointed out an alternative, natural source of public revenue. Alfred Marshall identified what he called a "special tax" and Henry George spoke of a "single tax". Ronald Burgess develops and refines these ideas.

The place where this public value manifests is as part of the rent of land, or "situation value" as Alfred Marshall

called it. No one can produce land, so land of itself has neither a public nor a private value. Its public value is created by the provision of roads, sewerage, drainage, water supplies, street lighting, a police force, a fire brigade and so on. Without these services the land will be of little value in a developed society. With them the land becomes highly desirable and commands a sale price or rent which in the UK goes to the freeholder. If we acknowledge that most of this site value has been created by public investment then, argues Dr. Burgess, logically we must agree that it should be returned to the public.

Ronald Burgess concludes with a chapter showing how this value can be collected as public revenue, repaying the community for its capital and current expenditure - which of course includes the costs incurred by the government itself in providing a stable environment for economic activity. He regards this change to be an essential prerequisite for solving the major social and economic problems, including inflation and unemployment, that are today often endemic.

Dr. Burgess suggests a gradual switch until all taxation is abolished and government income comes entirely from this new source. Public revenue under this system will be, by definition, sufficient to cover all necessary public expenses. There are also considerable environmental benefits - urban sprawl would be curtailed and pollution would cease to be profitable.

Present-day orthodox economics has found no solution to contemporary problems and unless it shakes itself loose from the shackles of traditional ways of thought, it never will. As Keynes himself said, we are usually the slaves of some defunct economist. In his own case the so-called Keynesian school are slaves to a misrepresentation of Keynes.

Public Revenue without Taxation is a work of major importance and demonstrates a practical and dynamic solution to our economic crisis. More than this it points away to give humanity a truly just society in which people may live as free individuals enjoying fully the fruits of a rich and self-sustaining world.

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