

THE NEED FOR SYSTEMIC REFORMS TO CONQUER INFLATION

Edward J. Dodson / August 2023

History reveals very clearly that whatever the money system, preventing increases in the prices of land, natural resources, commodities, foodstuffs, capital goods or services requires other systemic reforms. Nature has a zero cost of production and, therefore, nature should not have a selling price. Rather, as David Ricardo explained and Henry George confirmed, every parcel or tract of land has a potential rental value based on output given the same input of labor and capital goods. All that needs to be done to cut inflation to zero is to capture the full potential rental value of nature (i.e., of surface land, natural resource-laden land, the seas, other natural assets such as frequencies on the broadcast spectrum or takeoff and landing slots at airports, and competition-limiting licenses issued by government) to pay for needed and desired public goods and services.

Economics professor Fred Foldvary some years ago estimated that "rents" comprised almost one-third of global GDP.

Henry George made a strong case for the elimination of all taxation except for that of rents. He argued against the taxation of income. I would modify his proposal to take into account the long history of under-taxation of rents that has led to today's ever-worsening concentration of income and asset ownership at the top. This could be addressed by an individual income tax that simplified compliance but was very progressive. How might this look? Exempt all individual incomes up to some amount (e.g., the national median income). Eliminate all other exemptions and deductions. Above the exempt level, impose an increasing rate of taxation on higher rates of income. The effect will be to lift the burden of taxation from income earned producing goods and services, shifting the weight of taxation to gains from speculation and from rent-seeking privileges enjoyed by those at the top.