Land&Liberty

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Ignoring George

Why Britain's politicians don't want to know

Back on the rails: Rescuing public transport

Community Test: What we can learn from Monopoly

A Hung Parliament: Could it be best for Britain?

1227 vol 117 SPRING 2010

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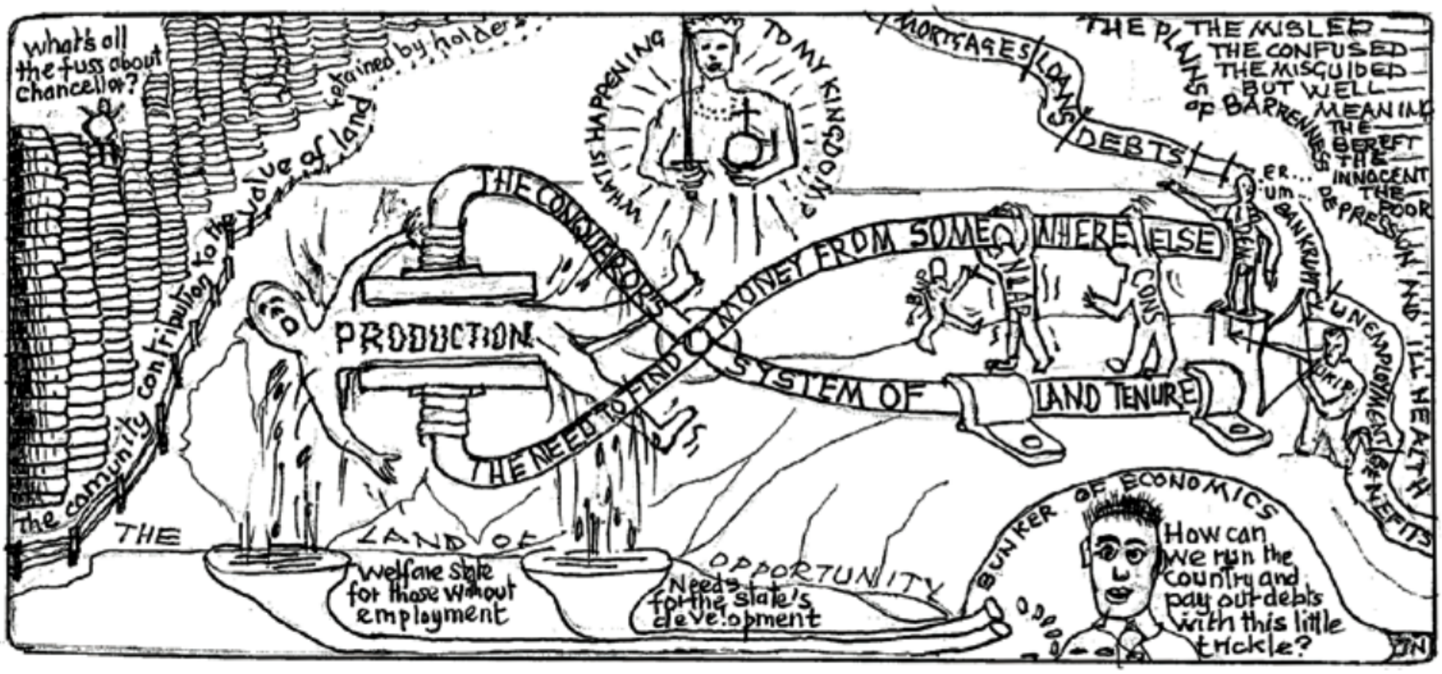
Edward J Dodson is Director of the US-based School of Cooperative Individualism and author of Discovery of First Principles.

Lars Rindsig is Executive Editor of L&L.



GENERAL ELECTION 2010 ~ FOR YOU, THE GOOD

Land&Liberty

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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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letter from the publisher

THERE IS apparently some doubt about the story that Nero played the fiddle while Rome burned during the great fire of AD 64. No such doubts for us though. We are faced with a general election and crises galore but our political leaders, commentators, pundits and most of us continue to fiddle.

We know that our fiddling lifestyles are unsustainable and cannot be made available to the vast majority of people that share the planet with us. We ignore the link between the politico-economic arrangements that our forefathers devised and saw adopted throughout the world and the cheap food, clothing, manufactured goods and fuel that are produced for us by people living in less rich countries.

Genuine trade between willing and free individuals brings benefit to both parties and harms no one, but the systems we operate have not led to universal prosperity. On the contrary poverty, pauperism and debt have become normal for many in both rich and poor countries. An insecure dependency prevails. People in poor countries are obliged to produce for people in rich countries rather than for themselves but cannot afford to purchase what those in rich countries produce. At the same time people in rich countries are obliged to buy what people in poor countries sell, since they cannot earn a living producing them themselves. So where are we going wrong? In short the answer is a failure by governments to discharge their responsibilities for the management of land and money and understand their implications for earnings and trade.

In economic terms the poorest workers in society are the most important, because what they are able to earn sets a datum of earnings to which all others relate. Simple observation shows a pressing need for the simplest of skills and care in society, and how its application adds value to people's lives and to public and private places. Other people with finer and less abundant skills add yet more value, producing—for example—quality food and clothing. Each such enterprise needs the support of our poorest worker as well as the services of professional specialists of one form or another. Critical to this specialisation, of course, is exchange or trade from the local shopkeeper to the international merchant.

Traditionally merchants did not need money to engage in trade—they needed credit. They paid their debts with the proceeds of their sales and traded both imports and exports in local money. They did not need an international currency. Today money and credit are virtually indistinguishable and currencies are unethically traded as if they were commodities like any other. As recent events have demonstrated, national governments back money that they allow private banks to create for commercial interests—their own. All this distorts the relative value of internationally traded goods and makes genuine free trade impossible. The taxation of labour and the products of labour do likewise, but the collection of rent does not.

As Henry George pointed out the coexistence of progress and poverty is not inevitable—except where economic justice is absent.

David Triggs
Executive Chairman
Henry George Foundation

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news in brief…

Resigned Registry The Land Registry plans to axe a total of 2,300 staff by the end of 2011. The cause of the dramatic cuts is the current recession, which has caused fewer property transactions and thus a decrease in income from registration fees. The Registry will also sell its London head office.

While much more radical cuts were feared, but were prevented by union lobbyism, the move does not bode well for the quality and extent of the shared knowledge of UK land holdings.

NZ rules out land tax New Zealand's National Party Government appears to have ruled out the implementation of a land value tax, despite recommendations from its own Tax Working Group that it should introduce such a tax.

In a statement in February Prime Minister John Key told the New Zealand parliament: "A land tax is effectively a lump sum tax on people who own the land at the time the tax is introduced, would only fall on people who hold their wealth in one particular form, and would create cashflow problems for many landowners, especially those with lower incomes."

A major shake up of the New Zealand tax system is still expected in the next budget, due on May 20th.

New London considers LVT

The small US coastal city of New London in Connecticut is currently debating replacing building taxes with a new Land Value Tax.

The city of roughly 25,000 inhabitants, was designated a 'distressed municipality' by the state in 1990, meaning about half its budget comes from state aid.

Attempts to redevelop the city's waterfront sparked an epic battle with landowners over who owned the land, leaving large areas empty after plans to develop them fell through. In the downtown area, nearly one in three buildings is vacant.

"As it is, owners of thriving, productive buildings pay more in property taxes than absentee landlords with abandoned buildings," says Art Costa, a member of the committee promoting the LVT idea.

"Land value taxation would shift the burden onto property owners letting their land lay fallow, urging them to build or sell to someone who will."

It would also encourage the restoration and upkeep of New London's historic buildings, which are often left to crumble, in fear of rising assessments, he said.

Yet nearly half the committee recently opposed the pilot project, arguing that the top properties whose bills would increase from the switch—mostly car dealerships and malls—are already developed to their full potential.

The city council has asked for more time and may consider starting the pilot in a portion of the city's downtown area.

City farms to use abandoned land

City farmers from across Europe have been visiting Bristol to find out more about a new project in the city that will make unused land available for agriculture. The government backed community land bank project was started after there was a sharp rise in demand for land to be cultivated but not enough allotments to go around. The Federation of City Farms and Community Gardens (FCFCG), a Bristol-based charity, is attempting to solve the problem by appealing to landowners such as Network Rail, the NHS and Bristol city council to allow them access to their derelict land.

The proposals have become part of the Government's Food 2030 strategy and if successful the community land bank could be rolled out across the UK.

FCFCG chief executive Jeremy Iles said: "The idea could help change attitudes to land access, improve co-operation and respect at a local level and allow people to get to grips with growing their own food.

"We are working with the city council to help develop the idea."

High Speed land boost

Plans for a high-speed rail link to the North from London, High Speed 2, are set to not only minimise travel times but also boost the property market.

According to *The Times*, research by Savills shows that a one-minute reduction to a commuter rail journey adds £1,000 to the average value of a home.

Since plans of High Speed 1, which links the Capital with the Channel Tunnel, were announced (see L&L 1224) the property market in the South East has picked up. Sarah McGlinchey, of estate agents Bairstow Eves in Ashford, Kent, tells *The Times*, "Interest from buyers across Kent, as well as those in London, has been increasing steadily. Although the market is a bit unpredictable right now, once things settle down I think that prices will start to creep up—and probably eventually look more like somewhere like Sevenoaks."

High Speed 2 is expected to serve the Midlands and the North West. Building work on the new line is expected to start in 2017, with the first trains running in 2026.

The UK Budget 2010

On the 24th March Alistair Darling, the UK Chancellor of the Exchequer, presented the Budget for 2010. L&L breaks down the figures.

Expenditure: According to HM Treasury figures, total UK government expenditure for 2010/11 will be £704bn. Of this £229bn will be spent on welfare and social services, £122bn on health, £89bn on education, £43bn on debt interest, £40bn on defence, £36bn on public order and safety, £27bn on housing and environment, £22bn on transport, £20bn on industry agriculture and employment and £74bn on 'other' (includes culture, public pensions, recreation and international aid). *

Revenue:: Tax receipts for the year are expected to be around £541bn leaving a deficit against expenditure of £163bn. Income tax and National Insurance are expected to yield £242bn, Corporation tax £42bn, VAT £78bn, Excise duties £46bn, Council tax £26bn, Business rates £25bn and 'Other' taxes (including capital taxes, stamp duty and vehicle excise duties) £81bn.*

These figures show (a) that expenditure on welfare far exceeds any other category - including health and education combined and (b) that almost all the current taxes reduce the reward that the people who provide labour and capital are able to receive when they produce and exchange. Some might think the link between these two facts was blindingly obvious: (a) shows the extent of UK poverty while (b) shows how the tax system prevents so many people and firms from thriving.

(Figures may not sum due to rounding)*

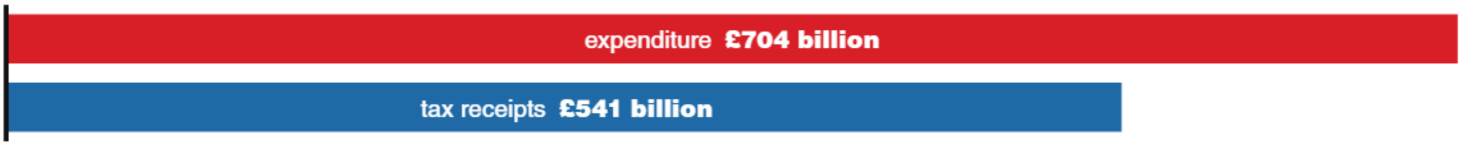
news in brief...

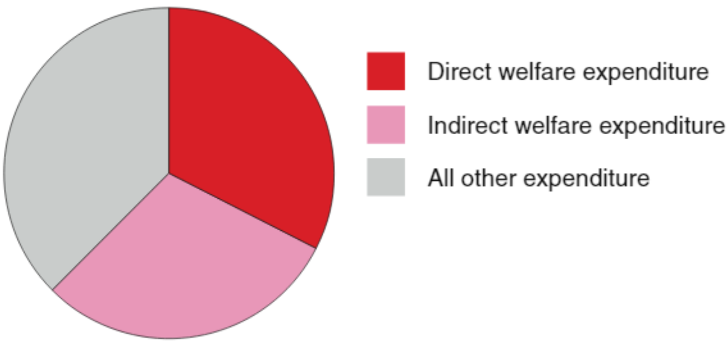
Sign on the dotted line A new petition to the Prime Minister calling for a tax on land values—TaxLess4More—was launched on the NUMBER10.GOV.UK website shortly before the General Election was called. The petition is sponsored by the cross-party Coalition for Economic Justice. It was formally lodged by John Lipetz, Chair of the Coalition, of which the HGF is a founding member.

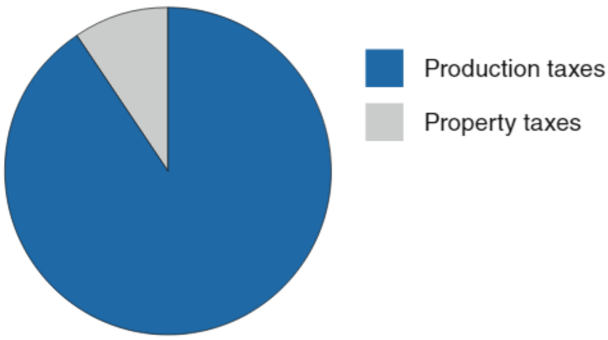
While the petition is open only to those on the UK electoral roll (and signing is disabled for the duration of the election) it is also supported by a Facebook group where people from all over the world can back the idea—search for TaxLess4More on FACEBOOK.COM.

Roofies Wokingham City Council is considering introducing a 'roof levy' on newly constructed houses. The measure, which is already in place in Milton Keynes (see L&L 1213), levies a flat fee calculated by the cost of infrastructure improvements divided by the number of acres of land allocated to any particular developer. In Wokingham the fee has been calculated to equate to around 15 per cent of the planning gain. The revenue will help to pay for transport improvements and education facilities and local health centres.

Hong Kong ups land tax The 2010 Hong Kong budget, which was announced in February, increases duties on land transactions and the government also increases the supply of land in a bid to deflate a potential property bubble, the territory's financial secretary John Tsang has announced. Some land, which has traditionally been released for auction only after a developer indicates its willingness to pay a high reserve price, will, in the future, be available on market terms.







HGF news

Library group report

Report on the spring term 2010

The Friday meetings were well attended with some old members turning up, plus some very welcome newcomers with questions and points of view.

On 28th January John Stewart taxed us with the question "What is the Answer", and some of the resulting conversation has appeared in his latest book *Prime Minister*, now available from Shepheard-Walwyn.

We then had a fascinating presentation by Mike Watts on the "National Trust—Not Just a Pretty Place", with a beautiful set of slides. The range of the work and how the Trust intends to develop were covered, and the enormous land holdings were described. The discussion ended on the note that we were fortunate indeed to be able to enjoy its work, albeit that the estates had been formed without regard for the principles we hold dear.

The next week we were delighted to welcome back Joseph Milne. His subject was "Natural Law and Ecology" which he admitted was a difficult task, but he set about it with zeal. Referring back to Plato and Aquinas, he explained that both Natural and Law had a meaning to the ancients which we have lost sight of, to the detriment of our understanding, and that ecology would have been encompassed by "all things move from the Good to the Good".

On February 26th, Michael Hawes took us through "The Meaning of Money and how the Bank of England continues to get it so wrong", a fraught subject indeed, especially as he brought in Quantitative Easing! It exposed the confusions that currently surround 'expert opinion' on this subject and underlined the need for reformers to clarify their thinking.

Robin Smith took as his subject "Monopoly—the Game and Reality" on 5th March. He showed how its origin was in Georgist thought, but later itself became monopolised, and how commercial interests corrupted its message. A fascinating insight was his experiment of increasing the wage handed out on passing 'Go' which led to a much extended game, before the property magnates squeezed out the other players.

Then we had Richard Hithersay on the subject "The Family and the Economy" in which he demonstrated how current fiscal arrangements have a negative effect on family life. He encouraged us to remember our most basic experiences of family, and led to the idea that a tax shift towards a more just system might bring about more happy families.

"Was it really the Banks' fault?" was the subject chosen by Tommas Graves on 19th March. With the help of recently available statistics, he showed that the underlying problem was the distortion arising from the distribution of the extra GDP, caused by the "knowledge revolution". Over the period 1960 to 2005, GDP per head had doubled, while the share to wages had increased by only 15%, inviting the question "what happened to the rest?" At worst, the banks could only be accused of jumping on the bandwagon.

We are much indebted to Michael Learoyd for his unstinting work in setting up meetings and assisting each speaker.

Tommas Graves

The meetings to come

Another full programme has been arranged for the summer with an interesting and diverse series of talks from both new speakers and old friends. We begin with a celebration of John Stewart's new political novel 'Prime Minister' and in addition to signing copies of his book John is charged with reviewing what he has learned as his characters have struggled to address the economic crises of the day on both sides of the Atlantic ocean. David Triggs's postponed talk on 'The Wisdom of Henry George' has been carried over from March. We look forward to hearing from John Story about the facts of life that face a professional who is charged with managing financial assets for a living. We shall be pleased to welcome Dr. Johannes Lindvall from the Department of Politics and International Relations, Oxford University for what is likely to be a stimulating talk and discussion. Entitled 'Reform Capacity' Dr Lindvall will discuss what political science has to say about the effects of political institutions on the likelihood that democratic governments will be able to adopt significant policy changes, relative to the status quo. Rosemary Attack is likely to provide economic stimulation of a rather different kind as she shares with us a 'Voice of Freedom' based upon the life and work of 'pastoral poet' and observer of nineteenth century land enclosures, John Clare. The title of Joseph Milne's talk is 'Henry George: The Ascent to the Good through Justice' and if he is as challenging and stimulating as his recent talks have been, promises to be a treat. Peter Watson will explore George Cooper's book *The Origin of Financial Crises: Central banks, credit bubbles and the efficient market fallacy.* With his success in establishing and running businesses in one the most competitive of markets (Hollywood film making) together with his long time interest in economic matters Peter has a wealth of useful experience to draw upon.

Jonathan Nicol will share his enthusiasm and respect for the Anglo Saxons when he explores what we might learn from them about economic justice.

The HGF Library Group meets Friday afternoons 2.30–4.00 pm with an optional lunch at 1.00 pm. All Welcome.

David Triggs

Education Report

At the first session, Peter Bowman presented Chapter XVI of *Social Problems* on the subject of "Public Debts and Indirect Taxation", thus demonstrating that the current system of public borrowing is dependent on the assumption that one generation may bequeath to another its obligation to pay for its borrowings. Yet, this very assumption is the basis of the present-day system of land titles and public debts.

John Barnes followed with Chapter IX of *Social Problems* entitled "First Principles" highlighting the need to remove the causes which prevent the just distribution of wealth. That unjust distribution exists is based on the denial of the principle, which George asserted as "Nature gives wealth to labour and to nothing but labour".

Richard Hithersay presented the 'Reduction to Inequity' (from *Property in Land*), Henry George's reply to the Duke of Argyll. George had sent a copy of' *Progress and Poverty* to the Duke as a mark of esteem for the Duke's own work *The Reign of Law.* In return, the Duke viciously attacked George's ideas as a form of villainy, stimulating a reply from George in which he set out his arguments and added that he intended no impertinence but high compliments for the Duke's own work.

Michael Learoyd presented various excerpts from L&L and other publications down the years. These had kept alive George's idea that securing equal natural rights for all men is the true purpose of government, and Michael exhorted the Group to pursue and disseminate the study as much as possible.

Tommas Graves illustrated what contemporary men had thought of Henry George by reading from addresses given at his funeral ceremony, which were received by a huge audience with enthusiastic applause. The tributes were a solemn statement of the truth that the creation is full of bounty under the stewardship of the intelligence of men, but intended for distribution so that no one should be in want. The effect was to leave one in no doubt that the message of Henry George reinvigorates intelligence and provides a sure remedy to save mankind from the familiar miseries which prevail.

Robin Smith presented chapter 5 of *An Anthology of Henry George's Thought* entitled "Georgism versus Socialism." The subject was a contrast of Marx's thinking about perfecting the world with George's. The former was arguing for the proletarian state and the latter for the single tax. The discussion brought into focus the sphere of government control versus maximum freedom for the citizen. It would appear that under Marxism, much control is needed whereas under Georgism government is limited to merely administrative functions.

David Triggs was welcomed back for the penultimate session, in which he took a fresh approach to examining George's thinking on the subject of money. He elaborated upon George's concerns that only government should be allowed to issue money, whilst commercial banks should be limited to the lending of money and its storage and the creating and exchange of credits.

In the final session of the term, Michael Learoyd led a wide-ranging and lively discussion about money, exchange, value and related economic activity. A strong appreciation of George's approach was evident and the need to find best ways of understanding and expressing the scientific precision of his thinking.

Bart Dunlea

New HGF Course in political economy

This new course will show how an updated understanding of the principles of political economy provides the key to addressing the economic crisis that threatens to condemn the world to poverty and strife for generations to come. Drawing upon both the key ideas promoted by Henry George and fresh thinking, the course will seek to integrate frequently separated strands into a coherent whole. It will consider the pivotal role that trade occupies in the economy and how it must be based on justice, if everybody is to enjoy both producing and using wealth in all its various forms. It will show how the naturally benign effects of trade can be rendered malign, when governments fail to exercise their proper responsibilities for controlling the money supply, public revenue, expenditure and the responsible use of natural resources. Starting on 14th May, the 10 session course will be held at 11 Mandeville Place, from 6.40 pm to 8.10 pm on Friday evenings. The course will be presented by David Triggs.

HENRY GEORGE FOUNDATION

Fresh start for HGF website

Peter Graves from Channel Computing has been appointed as the new web manager for the HGF website WWW.HENRYGEORGEFOUNDATION.ORG. Peter was responsible for the initial set up of the website but will now also run the site on a regular basis. The website is currently being restyled and prepared for a relaunch that should be ready by this summer. In the future Peter hopes to include much more fresh content in the site and HGF members are invited to submit any news, events, articles or other content they feel could be of interest to webmaster@henrygeorgefoundation.org

IU Conference

The programme for the IU Conference (April 26th to 30th 2010) promises to provide an excellent opportunity to explore and promote the application of just economic principles among delegates from around the world. The Foundation has been happy to cooperate with the organisers and will provide speakers and chairmen for a number of sessions.

L&L Archives

The long overdue project to bind archive copies of the past twenty years' editions of L&L has just been completed. Tommas Graves took on the work a short time ago and thanks to his perseverance we now have a complete set of bound editions from 1894 to 2007. We are also having rebound some other treasures, including a collection of essays and leaflets about the Corn Law reforms with a hand-written index, and a large volume of a collection of *The Commonwealth*, an Australian journal of the 1870s, inscribed in the front "Lent to HGF 1944, J H Behrens".

New contact details

On 1st April 2010 the main postal address for The Foundation changed to:

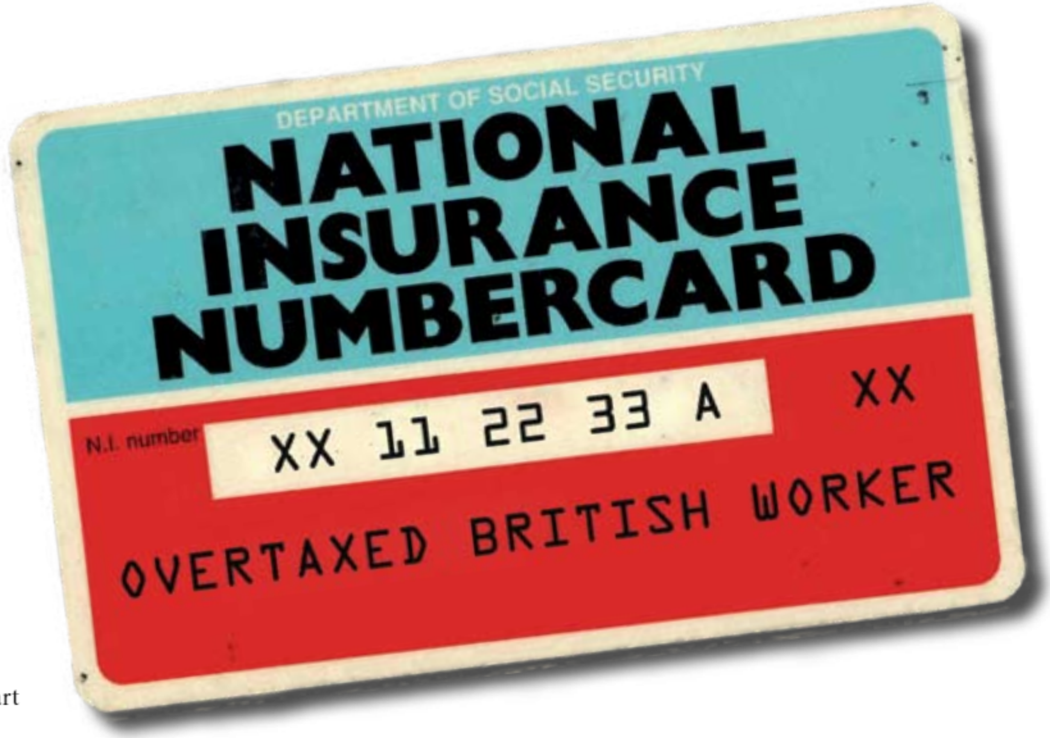
The Henry George Foundation
PO Box 6408
London
W1A 3GY
United Kingdom

The new telephone number is: 0800 048 8537

The new address and telephone service (which is free to UK callers) will save on Foundation expenditure and enable mail to be delivered to 11 Mandeville Place where the Foundation, by courtesy of the School of Economic Science, houses its Library, holds most of its meetings and courses, and carries out administrative functions—including the distribution and despatch of L&L.

Our Piccadilly address and old telephone number will remain operational for a transitional period until the end of June 2010.

Legrain's plea for LVT



As UK election campaigning got underway, the Tories, the business community and much of the press reacted with horror to Labour's proposals to raise National Insurance. For their part the Labour government pointed out that the Conservatives would have to raise VAT to pay for their proposed reversal of the NI rise. What few commentators seemed prepared to point out was the logical inference of both arguments—if increases in NI and VAT are such a bad idea then obviously the taxes themselves are too.

Philippe Legrain, visiting fellow at the London School of Economics' European Institute and ex-chief economist at the pro-European pressure group, Britain in Europe, was one of the few to notice. Writing in *Prospect* magazine, *The Financial Times* and *The Guardian,* he suggested other ways of raising the extra revenue needed to plug the terrifying £167bn hole in Britain's budget. His suggestions included increasing taxes on carbon emissions and introducing reforms to encourage people to retire later. But the bulk of his argument was dedicated to a plea to all parties to introduce a tax on land values.

"Whereas taxing work is wasteful—less is produced and no tax is raised on the lost output—land is in fixed supply so a tax on it is less harmful (and impossible to avoid)," he wrote in the FT article. "Shifting the tax burden from labour to land would therefore boost economic growth, according to an OECD study."

And Legrain, whose new book, *Aftershock: Reshaping the World Economy After the Crisis*, is out on May 6, was quick to point out the other benefits too.

"Taxing land values could also limit property bubbles, which divert funds from productive investment in booms and then cause terrible busts—without discouraging development (unlike property taxes), mobility (unlike stamp duty) or investment (unlike interest rate rises)," he said, before concluding: "Replenishing Britain's public finances will involve painful choices. But it is also a chance to make tax fairer and less harmful to growth. Wise politicians should seize it."

In the *Prospect* article, Legrain, who is better known in the media as an advocate of wider migration, outlines why LVT would be a much fairer form of taxation.

"Whatever you think of the merits of capitalism, there is nothing intrinsically desirable about the initial distribution of property rights in an economy. In most countries history means the distribution of land is highly unequal," he says. "Land in Britain is more unequally distributed than in Brazil: there 1% of the population owns 49% of the land; here 0.3% per cent owns 69%.

"Britain's biggest landowner, the Duke of Buccleuch and Queensberry, owns 277,000 acres because he descends from a man who seized vast swathes of Scotland. Far from being taxed, he is rewarded with huge handouts from the Common Agricultural Policy."

Go to: WWW.GUARDIAN.CO.UK/COMMENTISFREE/2010/MAR/30/NATIONAL-INSURANCE-RISE-DEFICIT

WWW.PHILIPPELEGRAIN.COM/TAX-LAND-NOT-LABOUR

Prospect

Tell us about it!

Seen, heard or read something in the general media that you feel media watch should know about? Let us know by emailing editor@landandliberty.net or write to Media Watch, Land and Liberty, PO Box 6408, London, W1A 3GY, UK

Generation Homeless

If anyone was looking for evidence of just how much speculation in property has destroyed an entire generation's chances of getting their hands on any, Tim Walker's article in the *Independent* "No place like home: The Generation That Can't Afford to Buy", made illuminating reading. Despite an apparent crash in house prices, the average age of a first time buyer in the UK is now a very elderly 38 and the average deposit on a property is 64 per cent of the average income. This, claimed the article, was compared to just 16 per cent 10 years ago. At the age of 30 and with no prospect of being able to afford a home, Tim Walker described just how much easier it was for his parent's generation when they were buying their first home. He said that their mortgage: "Represented around double my baby boomer parents' combined annual income in 1980. If I wanted to buy the same house today, it would cost me 10 times mine. Even if I had a pregnant wife with comparable wages, it would still be well out of our reach. The same would be true of a studio flat in north London, where I currently rent—or one in south London, for that matter. And I have a decent job, unlike a lot of other young people in this economic climate."

Sadly for Tim, he wasn't able to identify how the damaging inflation in the property market had been caused by a flawed British tax system that promoted reckless property speculation.

Go to: WWW.INDEPENDENT.CO.UK/LIFE-STYLE/HOUSE-AND-HOME/PROPERTY/NO-PLACE-LIKE-HOME-THE-GENERATION-WHO-CANT-AFFORD-TO-BUY-1921781.HTML

THE INDEPENDENT

'Easy peasy' budget

As the orchestrator of a so-called "phoney budget" released just before a general election, nobody expected UK Chancellor Alistair Darling to come out with anything truly revolutionary. But there were a few media analysts who were able to point out what he could have done, had he had been blessed with a little more courage.

Larry Elliott, economics editor of *The Guardian*, argued that enormous damage has been done to the British economy by the destructive bubbles in the UK property market and added: "The reason Britain has destabilising bubbles in property is simple: this is a small island with a large and growing population, tough planning regulations limiting new housing developments and a tax system that encourages owner-occupation."

But Elliott admitted that reforming that tax system would be fraught with difficulties.

"Nobody has yet come up with a better solution than that of David Lloyd George in his 'people's budget' of 1909: a land valuation tax," he said.

"Darling needs to get the economy moving again; he needs to build-up its long-term productive capacity; he needs to invest in a long-term future, and he needs to tackle the two roadblocks to reform: the City and the housing market. All he has to contend with are a record peacetime deficit, powerful vested interests and deep-rooted cultural inertia. Easy peasy."

Go to: WWW.GUARDIAN.CO.UK/BUSINESS/2010/MAR/22/BUDGET-2010-REBALANCING-ECONOMY

theguardian

Debt bombs in Greece

Those finding Greece's current debt crisis scary will have felt the need to hide behind the sofa while reading Professor Michael Hudson's article in the *FT* about the other 'debt bombs' waiting to go off in Iceland and the old communist countries in Eastern Europe. "Although most of these countries are not in the eurozone, their debts are largely denominated in euros," he says. "Some 87 per cent of Latvia's debts are in euros or other foreign currencies, and are owed mainly to Swedish banks, while Hungary and Romania owe euro-debts mainly to Austrian banks"

Why are these nations in such dire straits? Hudson, a professor of economics at the University of Missouri, suggests that: "There is growing recognition that the post-communist economies were structured from the start to benefit foreign interests, not local economies.

For example, Latvian labour is taxed at more than 50 per cent (labour, employer, and social tax)—so high as to make it noncompetitive, while property taxes are less than 1 per cent, providing an incentive towards speculation. This skewed tax philosophy made the "Baltic tigers" and central Europe prime loan markets for Swedish and Austrian banks, even as domestic labour struggled to find well-paying work."

The solution he finally identifies is a familiar one to regular readers of this publication: "In addition to currency realignments to deal with unaffordable debt, the solution for these countries is a major shift of taxes from labour to land," he says. "There is no just alternative. Otherwise, the age-old conflict between creditors and debtors threatens to split Europe into opposing camps, with Iceland the dress rehearsal."

FT FINANCIAL TIMES

Ignoring George

Henry George's ideas are fair, timely and reasoned. So why, asks **David Triggs**, do British politicians looking for votes continue to disregard them?

IT WAS Leo Tolstoy who said: "People do not argue with the teachings of Henry George; they simply do not know it. The teaching of George is irresistibly convincing in its simplicity and clearness. He who becomes acquainted with it cannot but agree."

Those of us who have seen the justice, effectiveness and efficiency of Henry George's ideas are unlikely to differ from that opinion and yet, today, 100 years after Tolstoy's death, and 130 years after *Progress and Poverty*, mainstream political parties continue to either reject or, more frequently, ignore these ideas.

So was Tolstoy wrong? Look at the coverage of the current General Election in the UK and you'll find that at least part of what he said still rings very true. People really don't argue with the teachings of Henry George; sadly they barely discuss them at all.

As politicians of all the major parties bicker about the seemingly ever narrowing gap between what is left of their ideologies, George's ideas, once lauded by the likes of Churchill and Einstein, are ignored.

This publication's Media Watch section aims to highlight the few occasions when such ideas are brought out into the open in the wider media. What's interesting is that when this does happen, just as Tolstoy predicted, nobody argues against them. When an expert on the radio or television mentions the benefits of a land value tax he or she is hardly ever quizzed further and rarely asked to explain more, let alone argued with. Usually the topic is changed and the conversation moves on.

This seems puzzling, especially when you remember that the three main consequences of George's ideas would certainly be radical enough to prompt further comment. They would result firstly in the cessation or reduction of all taxes levied on labour and capital and the products of labour and capital (including trade), secondly in the collection as public revenue of all the value that the community creates by virtue of its existence and the protections and services it provides; and lastly in the handing back to government of the issue and control of the nation's money.

You might expect the suggestion of such radical proposals to be met with astonishment, objections and debate. Instead they are usually met with silence or ignored.

Perhaps this is simply because most political commentators have become so transfixed on the polarised left vs right nature of politics that they simply can not make sense of where the ideas of George would fit in.

For more than a century, many economic issues have been depicted as a conflict between the interests of labour and the interests of capital. In this country in recent years and in particular since the advent of New Labour, whilst the policy gap between the two main parties has narrowed, the dilemma has not substantially changed. Balancing returns to the suppliers of labour and the suppliers of capital is still perceived as the central issue. This underlying belief has obscured serious consideration of George's most important insight—the critical importance of land.

Thinkers and activists of both the left and right have come to consider land as merely another asset or particular form of capital, failing to acknowledge a fundamental reality—capital is man-made and can be reproduced, land is not and cannot.

On the right any attempt to collect public revenue based on community created land values is frequently seen as hide-bound socialism—they fail to see the difference between land value and the value of buildings. On the left, failure to redistribute wealth by taking from the rich and giving to the poor, for example, by reducing direct or indirect taxes on producers or production, is frequently seen as giving way to wicked capitalists. How the rich become rich or why the poor remain poor rarely features in such considerations and emphasis is placed on alleviating the effects of poverty rather than addressing its cause. Land value tax may seem a good idea to many on the left but often in addition to, rather than in replacement of existing taxes.

The left-right obstacle to understanding and adopting George's ideas is increased by a general confusion in all quarters over the real nature of money and in particular when money is regarded as capital. For George the distinction was clear—capital is wealth used to facilitate the production of more wealth, money is not wealth and thus cannot be capital. All wealth is tangible and consists of material (land) modified by labour. Money is not tangible (though it may take tangible 'forms'), it is subtle. It is a medium of exchange and its value does not arise from production (unlike credit) but from the obligation people are under to use it. Its value depends upon the difficulty of getting it—its scarcity—and thus the confidence that people have in those that control its supply.

These misunderstandings are of course not generally acknowledged, possibly because the status of champions of both the left and right and those in between depends upon the well rehearsed arguments that each has advanced with conviction for generations. Despite the obvious failures of both doctrines to produce poverty free societies, devotees of each continue to declare their faith and insist that neither has yet been fully implemented.

More pragmatic followers however have begun to wonder if something important is missing from their theories. Some are even bold enough to declare that 'the emperor has no clothes'.

Those of us who believe, like Tolstoy did, that the ideas of Henry George are "irresistibly convincing" would love the opportunity for them to be debated and argued against because

we are confident that the reasoned arguments in their favour make so much sense.

Such radical change is sure to raise concerns among the electorate. It is likely to include concerns about people's security of tenure in their homes and places of employment and the problems of the asset rich and income poor households including the 'Devon pensioner'. Others might ask: "Why bother to go to so much trouble to right this particular wrong when there are so many other wrongs to put right first?" "Would such changes prevent the accumulation of large private fortunes and prevent the patronage of the arts?" "Would they lead to ever greater concentrations of private fortunes extending further the divide between the rich and the poor in society?" "Would they lead to too much control in the hands of government? Would they lead to a lack of diversity in society, a dull mediocrity with no heroes or villains?"

These are all reasonable questions and George gives us the tools to be able to answer them all with rational arguments. But reason may not be enough.

Last year I approached a number of MPs on both sides of the political divide to attempt to discuss the ideas proposed by the Henry George Foundation. The objections I was given were hardly reasoned. One told me that the idea was interesting but he'd have no chance of getting it past his constituents in 100 years but didn't explain why. Another said he would be too wary of the unintended unforeseen consequences of such a change. As the consequences he was talking about were unforeseen by both of us it was difficult to argue against them.

Reason, it seems, plays little part in modern politics and modern elections. Instead the appeal that politicians and their publicists make to voters frequently has more to do with emotion.

Often, the emotions that are appealed to, relate to the perceived self interest of voters. They play on their fears, aspirations and prejudices. The media are certainly quick to show the effect that each suggested economic policy will have on the interests of different categories of people and voters.

They highlight the 'winners' and 'losers' in connection to this or that tax or this or that benefit or public service. Pressure groups likewise comment and persuade according to their particular interest. Under such pressure it must be difficult for any politician hoping to be democratically elected to place justice before expediency. And yet a love of justice might be expected to be the emotion of primary concern to those charged with the government of the nation.

That justice may yet arrive. History is replete with examples of knowledge being rejected by those in authority and the masses for years before being seen to be true and being made available for the benefit of mankind. Galileo and Wilberforce come to mind along with John Snow (cholera being a waterborne disease—not miasmic) and the hazards of smoking, sunbathing and environmental pollution. Often it seems the ignorance is held on to for years and then quite suddenly it is as if there is a change in mind and a step is taken. Like whipping cream—for some time nothing seems to be happening and then the change suddenly occurs.

I am inclined to think that the real problem for those wishing to promote the ideas of George lies in the prevailing culture that follows from how people think and feel (it does not have to be rational).

Henry George once said "I care not how people vote—it is how people think that really matters." But he also said that if you really wish to change people's minds you have to touch their hearts and appeal to their innate sense of fair play and justice. Here it seems, lies the real challenge and opportunity today. L&L

David Triggs is Executive Chairman of the Henry George Foundation.

Parliament: Better off hung?

Some opinion polls have indicated that the coming election may result in a so called hung parliament, where neither of the main political parties have overall control. Here, **John Loveless**, argues that could be the best result for Britain

Is the coming election one of those rare occasions, with a first-past-the-post electoral system, when we get a hung parliament? Many of the recent polls are pointing that way. What are the implications for us progressives who propose a third way that is neither socialist nor capitalist—but Georgist? Could a hung parliament turn out to be a good thing or will it again end by being discredited after a hiatus of a few months, with politicians unwilling or unable to work together in a show of national unity to restore our bankrupted public finances? I think the crisis and the emergence of a third party, which might be able to eclipse one of the two main parties –not this time but next- gives us real cause for optimism.

The last time the Liberals were as strong as they are today, it can be argued, was in 1909 when the magnificent Lloyd George and the young Winston went barnstorming through Britain, demanding the end of the oppression of the working classes by the rentiers and ushering in the famous 1909 People's Budget, the titanic contest between the robber barons of the House of Lords and the disenfranchised dirt poor masses. Perhaps again we will soon see a similar meaningful assault on the still strong bastions of privilege by the long suffering wage slaves of Britain and then the rest of the capitalist world. Yet the disastrous ignorance of the great majority of wage slaves as to the true nature of their economic plight will, in all probability, enable the rentiers to continue to milk their bovine herds awhile longer. However, consider this: the advent of the internet and Wikipedia; the shameful behaviour of our political leaders—which must lead to a massive clean out of the stables; the parlous state of the public finances; the near collapse of the Western banks and the way the cost of it has been imposed on ordinary honest citizens, small shareholders and pensioners. If the voters don't wake up to all this now, when will they ever wake up?

Perhaps, our poor huddled middle classes might just lift their eyes from their treadmills this time, long enough for the light of enlightenment to dawn in their minds and enable them to see that there is a third way and that it is better. But it will never be easy. Compare the bleaker facts of the present situation. In 1909 "Progress and Poverty" was still being bought, read, discussed and understood by thousands in Britain. Books like Engels's *The Condition of the Working Classes in Britain* were still moving the hearts of many to advocate strenuous action to remedy the pain of the blighted lives of the Britons depicted therein. But the House of Lords is still unreformed 100 years after Lloyd George attacked it, like Jack did the Beanstalk and almost bearded the giant in his castle. There is no certainty of success yet, but there is a moment in time when progressives might just lift the veil of secrecy and shine the light of truth into the minds of the mostly apathetic or deeply dyed red and blue majority of voters.

We must work intelligently to promote the third way. Let the greens and the true liberals emerge as a new political block to be reckoned with and we have a better chance of true tripartite discussion instead of the dreadful stalemate of the trench warfare between capitalists and socialists, which has been the stuff of politics for as long as most of us can remember. We must put flesh on the bones of the third way. Georgists have failed in the past because they have not laid out a complete agenda of policies for the community. L&L

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edward j dodson's cooperative individualist view

The terms 'liberal' and 'conservative' are widely used in our political discourse. We apply them without much conscious thought. Yet, many of us who might willingly describe ourselves with one of these two labels are ourselves unsure of what we have in common with others who do likewise.

In a very general way, being liberal is thought to suggest approval of government intervention to promote an equality of treatment for all individuals under law. A liberal is also thought to support the social objective of greater equality of opportunity in relation to personal wealth and income. A conservative, on the other hand, is thought to favour a far more narrow interpretation of government's responsibilities in the protection of civil liberties or pursuit of equality objectives. In point of fact, these seemingly clear distinctions tell us very little.

Except for those individuals whose writing, statements or actions puts them clearly outside the mainstream, there is considerable cross-over by so-called liberals and conservatives on many policy issues. Often, an individual's ideological rhetoric conflicts markedly with the policy initiatives pursued when holding political office. There is a remarkably homogeneous value system holding a citizenry together, despite a nation's tremendous diversity in ethnic, religious, and racial makeup.

Despite a strong bias in favour of the propertied and a concentration of local and national power in the hands of a select number of families, native-born citizens tend to hold to the romantic notion that the playing field is, if not perfectly level, appropriately level. Not until the late nineteenth century did institutions come under direct attack by reformers and agitators. In the twentieth century an enlarged coalition that included enlightened industrialists and public officials, forged what has been called Liberalism in the United States and Social-Democracy or Democratic-Socialism elsewhere.

The public in the United States was unwilling to consider nationalisation of land or industry as proposed by European proponents of Social-Democracy or Democratic-Socialism. Reformers clamoured for child labour laws, for government support of education, and for a whole range of programs thought unnecessary or intrusive by earlier generations and by contemporary Conservatives.

Widespread unemployment in the 1930s opened the door to even more direct government intervention in the private affairs of individuals and businesses. The Second World War, the post-war anti-communist crusade, the civil rights movement, the rise of feminism and environmentalism, all contributed to the great enlargement of government enterprise and to the politics of Liberalism that has dominated the last half century.

Liberalism functions on the basis of compromise and a blend of policy choices, which I suggest present a left-right paradigm rather different from what is generally embraced. Under liberalism, full equality of opportunity cannot be realised. The securing of liberty is, in fact, prevented under liberalism by the degree to which privilege (ie., sanctioned inequality) dominates sociopolitical arrangements.

This venture into political philosophy asks the reader to think very differently about the characteristics of systems conventionally placed at the left or right. In the next issue of L&L, I will explain why I believe that only under cooperative individualism is the just society realised.

A hung parliament is one in which no political party has an outright majority of seats. The most recent elected hung parliament in the United Kingdom was that which followed the February 1974 general election, which lasted until the October election that year. Prior to that the last had been following the election of 1929.

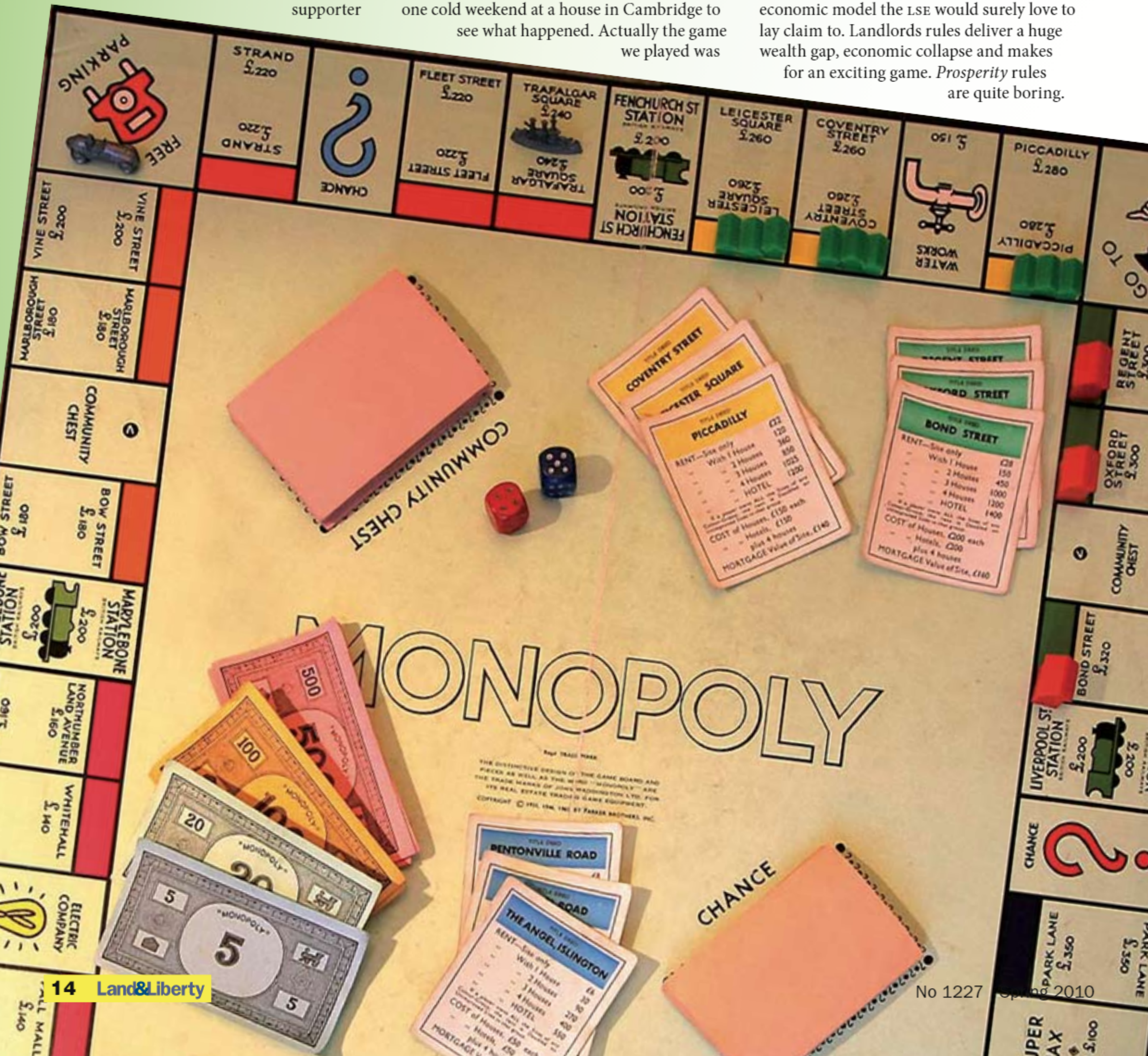
Source: Wikipedia

Monopoly's Hidden History

It's notorious for causing family squabbles, but, as **Robin Smith** discovered, an earlier version of the property trading game was dedicated to righting economic wrongs

I'M SURE we all understand the basic rules and the objective of the popular *Monopoly* game. Buy as much land as you can before anyone else, develop it as far as possible with buildings, yield the maximum rent to bankrupt all other players and be the last player standing.

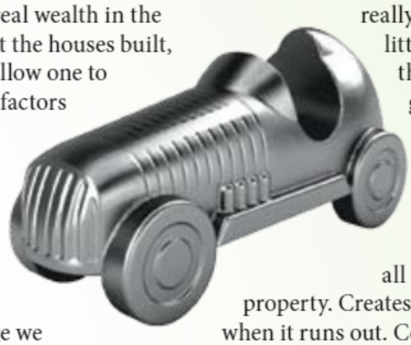
The original game was invented by a Quaker woman known as Elizabeth Magee back in 1904. Magee was an ardent supporter of George's ideas on the single tax and came up with the game explicitly to show how these ideas would play out in real life. The game was invented as an economic model. It was originally called *Landlords* to show the effects of collecting economic rent for private purposes. My colleagues and I at the Systemic Fiscal Reform Group made up our own game from pieces of card and paper and played it one cold weekend at a house in Cambridge to see what happened. Actually the game we played was a later 1924 modification by the same inventor called *Landlords and Prosperity.* This version differed in that it used tandem rules. *Landlords* rules, where rent is collected privately were played followed by *Prosperity* rules where rent is collected publicly, changing back and forth depending on the game's circumstances. After playing we were not too surprised but certainly interested in the outcome. It demonstrated an economic model the LSE would surely love to lay claim to. Landlords rules deliver a huge wealth gap, economic collapse and makes for an exciting game. *Prosperity* rules are quite boring.



Everything just works out for all. The economy is sustainable on the whole, everyone is secure. Soon the players were demanding a switch back to *Landlords* rules or the pub. Later that week we went to a Cambridge conference on the crunch panelled by many long time economics professors, whose skill was in contemporary economic modelling. Dr Wrigley stood up at question time and asked "We have an economic model here you may be interested in. It is simple. It demonstrates why we have recessions. Anyone can understand it. It was of huge popularity and political controversy 100 years ago. Have you heard of it, have you heard of Henry George?" The response was mockery.

Some time later I decided to look more deeply at the game. Yet the history would not have been so clear unless one Dr. Ralph Anspach, another economics professor and inventor of the game *Anti Monopoly*, had not been sued for trademark infringement by Parker Brothers in the '70s. As a result Anspach successfully defended himself all the way to the US Supreme Court, in the process uncovering a truly shocking history of corporate fraud resulting in the monopolisation of the game itself. What an irony. Anspach has documented the true history on his web site. He shows, evidently, how a woman invented it, how for 25 years it became a widely played folk game like chess, using home made boards, adapted by Quakers into the eventual trademark game, how the game idea was knowingly stolen from the public domain by Charles Darrow, sold by him to Parker Brothers, who then went on to 'vanish' the copyright, how they then invented a bogus game history and for the next 75 years covered all this up with a host of tricks including laundering deals, perjury, and subornation of perjury. And how all this produced a billion dollars of monopoly profits for the company. This continues today. A classic monopoly.

So what of the popular *Monopoly* game itself? First lets deal with terms. Property, Wages, Money, Rent are all very poorly defined by the game. I won't explain further here, suffice to say that caution must be used. Then, can the game be related to the real economy as a model? From thinking about it carefully, it cannot be related as clearly as I had hoped, nor as clearly as *Landlords* for a number of reasons, largely around the two main factors: Land and Labour. Or more precisely their returns in rent and wages. These distributions can be seen clearly in the game but not with the same cause and effect as in real life. This is mainly because in the game there is no real way to earn wages. And rent is there from the start as a monopoly rent not an economic rent. But there are still some strong parallels. Wages come about from moving around the board, collecting them as you pass Go. Rent comes from monopoly ownership of 'property', rather than as in real life by increases in population or better technology. There is also no real wealth in the game, even if you think about the houses built, though collecting rent does allow one to develop a property. Classical factors of production are highly confused by the game.



A shocking initial observation was that on the rule sheet the game objective is to bankrupt all other players as soon as possible. Yet on the same page we can see a recommendation for players 8 years old and above. OK, its only a game... Isn't it?

The most fascinating observation for me is that of the most commonly used house rules. These are private rules used to adapt the game to your own liking. The most common is to increase wages. For example, more wages when passing Go, collecting fines from Free Parking, private trading, giving credit, agreements to not charge rents etc. The effect of increasing wages in any way is to extend the length of the game dramatically. The model becomes more sustainable. The rule book strongly opposes this and encourages rules that reduce wages by doing the opposite of the above, allowing rents to accrue more quickly or by using a new 'Speed Die'. What then do you think happens when wages are cut and more goes to rent? You guessed it. The game is much shorter due to earlier bankruptcy. This is common knowledge to players and is proven. Now, do both these effects sound familiar in terms of the real economy? I'll leave that thought with you, the Chancellor and those clever economics professors.

A big question that came out of a talk delivered at an HGF meeting was around the distribution of rents between plain land and the buildings. In the game most rent comes from improvements in houses and hotels. Hardly any from owning the land. This is probably due to the income being from monopoly rather than economic rent as discussed earlier. Improving buildings requires you to earn rent *a priori*. The land is not that significant in the game. The opposite is true in real life.

As for a property investment strategy, the game is very different to real life where the best yield comes from the most valuable land. The best return in the game comes from a combination of the highest priced property, most frequently landed on property, and the most cost effective property to develop. This seems to be similarly related to the above monopoly rent situation in the game. In fact, the properties to go for first are the orange group on the board, not the dark blue as is commonly thought. But where you land is really down to luck and only a little skill. If you don't know the fixed strategy you are going to struggle. You could argue that real life can be much like this.

There is also a bank. What is it's role in the game? It owns all the assets in money and property. Creates new interest free money when it runs out. Collects all fines, fees and charges. Is the sole issuer of mortgages for which it charges interest. Receives monopoly profits from distressed property sales. Does it relate to a bank in the real economy? I think not. It seems to me that the bank in the game more closely represents the state. If this is true I'm sure it would be a shock to tournament players and the game's producer, not to mention Austrian, neoclassical economists and Marxists.

In the end, even taking account of the anomalies in the game related to real life, I would say it still does a better job than almost anything else available academically. As for the Landlords game, that certainly presents a very good model indeed. I've been asked to develop a new game called *Liberty*. I did think about this for a moment and realised this could be done quite easily by adapting regular *Monopoly* rules to collect the rent for public purposes. The outcome? I ended up with the original *Landlords* rules via a circular route. This was not a surprise.

I'll leave you with some quotes from former Monopoly tournament champions. Ask yourself how true they are of real life behaviour today?

Q—What has the Monopoly game taught you?
A—"I started playing when I was four. I learned to count on it, learned to read on it, and learned to lose on it, so it's helped me to grow up."
Q—Do you feel bad bankrupting an opponent?
A—"Not at all." **L&L**

Robin Smith is a social entrepreneur and Tory Councillor. He blogs at GCO2E.BLOGSPOT.COM

On the right track

Most of its passengers would agree that the UK's public transport infrastructure is underfunded and unfit for its purpose. **John Howell** explains how LVT could get it back on the rails again

To anybody who has spent time in a crammed commuter train, there can be no doubt that our transport infrastructure is very much in demand.

This is hardly a surprise considering that, for an economy to develop fully, its various functions need to be linked by transport. Healthy transport underpins a healthy economy.

Yet, paradoxically, in spite of its indispensable role, most transport infrastructure is said to be unprofitable and only kept alive by grudging subsidies from public funds, rarely sufficient to enable it to meet demands. Can this be right?

In 1900 the tube network under central London was gradually being built. But despite the obvious relief it would bring to the overcrowded streets above, most schemes were in financial straits. The partly constructed Bakerloo line had gone bust, the District Line was in difficulties and a proposed line to Hampstead had no investors.

The problem then, as now, was that the revenue from fares was mostly absorbed by running costs, and left little to cover the immense initial capital outlay on tunnels, rolling stock and stations. Fortunately a rather shady financier from Chicago—one Charles Yerkes—managed to persuade American investors there was money to be made out of London's commuters and by 1907 the lines were completed.

American transport promoters like Yerkes had become adept at making their schemes pay by building well out beyond city boundaries, so as to make a killing on increased land prices when housing sprang up around the passenger stops. Yerkes, spotting the potential for this in the undeveloped fields north of Hampstead, extended his North London Line out to them, and doubtless it was the ensuing land deals that enabled him to succeed where previous English tube entrepreneurs had not.

The idea of raising the otherwise daunting initial capital cost of urban railways by tapping into the increased land values they created was clearly recognised by Frank Pick, vice-chairman of London Passenger Transport Board—the public monopoly that had taken over running of London's tubes, trams and buses in the 1930s. In evidence to the Barlow Commission (1939) he stated:

"The moment an underground extension is projected, the value of the land is at least doubled. When the railway is built and the stations opened, the land adjacent is at least quadrupled in value. In view of the difficulty of maintaining a public utility like the London Passenger Transport Board in a satisfactory condition from (only) the receipts of fares, there is every reason, in the interests of the public, why the Board should receive its appropriate share of the land values it helps to create. The earnings of a tube railway (from fares alone), even under favourable circumstances, are not sufficient to provide the interest and the sinking fund upon the capital invested."

The only other early instance of increased land values being systematically recaptured to finance capital costs was the Metropolitan line in NW London. Before 1900, because it used steam trains, it had been forced to buy far more land than it needed for the tracks, and sometimes made useful profits by selling this land later.

By the 1920s it was financing new line-building by deliberately buying agricultural land to the north of London, and capitalising on its increased value when the lines were finished. Consequently, the Metropolitan Line was regarded by many as the best in London. Sadly, Pick's hope that this model would be applied to the rest of the network was not to be fulfilled. His evidence to the Barlow commission continued:

"This potentially valuable source of railway finance was again not taken up. Profits from property development would only go to property developers. The benefit to railways would be confined to the extra journeys of those who travelled from the properties."

In 1989, the Jubilee Line needed extending to the East London where developers hoped to build Canary Wharf—a new financial centre to rival the City of London.

Meanwhile, the idea of tapping enhanced land values to pay for new transport links had resurfaced, and Paul Channon, transport minister to Mrs Thatcher, declared:

"If there is to be new transport investment in London, the passengers who benefit from it should meet its cost through the fares they pay, rather than be subsidised by taxpayers in the rest of the country……and contributions should also be forthcoming from property owners and developers who stand to gain from the transport improvements."

Consultants advising the government agreed "…any new line should be paid for by those who benefit including passengers, property developers, and landowners…. In the case of the Jubilee Line Extension, we understand that the Department of transport has been advised the benefits which the line would bring to the property developers are likely to exceed by a considerable margin the cost of the line, and that a Government contribution to funding would appear not to be needed."

Canary Wharf's developers knew that the accessibility provided by a proper tube line would earn them an extra £320million a year in rents. They therefore willingly contributed £100 million to the line's building costs, and as part of the deal insisted that other developers whose sites benefited from the line were also charged one-off 'planning gain' payments of about £20 per square foot when their developments went ahead.

Nevertheless, the bulk of the JLE's £3–4 billion cost fell, as usual, on taxpayers throughout the United Kingdom who felt no benefit. To the Treasury and London Transport it appeared that the JLE was adding to an existing large network, and that benefits to landowners were not concentrated in such a way as to form 'an easily identifiable tax base.' Of course LVT would have done just that.

Just supposing the mechanism of LVT had been available to fund the JLE, would its revenue have been sufficient? In *Taken for a Ride* (2001), Don Riley, a Southwark property owner, used his extensive local knowledge to document the scale of property rent and capital value increases that occurred once the JLE was up and running by 1999.

He conservatively estimated that, within a 1000-yard radius of each new station on the line, values rose by £1.3 billion, so for the ten stations along the line the overall gain was of the order of £13 billion—nearly four times the total construction cost. Riley suggested that if that gain were annualised into a 10% return, and taxed at 25%, it would yield £325 million a year to the exchequer and pay off the line cost in 10 years.

In March 2004, a report commissioned by Transport for London estimated the 'JLE uplift' of land values was £2 billion around Canary Wharf station, and £800 million around Southwark station—figures of similar magnitude to Riley's, who commented:

"I was impressed by the magnitude of the increase in land values. It seemed obvious that the Jubilee Line (Extension) could have been constructed without the aid of subsidies from taxpayers who live in the deprived regions of Humberside and Merseyside. I was particularly annoyed that rich financial institutions in the City—20% of which were foreign owned—would benefit from similar investment. The City was calling upon taxpayers, to an important extent, to improve the transport infrastructure for their benefit."

However, even in the Hampstead, Metropolitan and JLE examples, the LVT principle was only partially followed. Effectively in these cases site value increases were tapped on a 'once-only' basis which contributed only to the initial construction costs. There was no provision for the major recapitalisations that would sooner or later be needed to adapt to new technologies or changed patterns of demand. Unless contributions from site values are on-going, a lack of capital funding will haunt future generations.

Also flawed is the developer's 'planning gain' payments system, instituted when the JLE was built, because it misses the vital fact that new lines enhance values of all sites with development potential, even if they are not developed. Site owners who choose not to develop still benefit from a transport upgrade without having to contribute to it.

Perhaps this explains why, even after the boost from the JLE, Southwark and Bermondsey still have many underdeveloped sites. By applying to sites, rather than the improvements on them, LVT stimulates development and discourages inactivity.

Finally, it cannot be repeated too often that LVT is meant to replace other taxes, not supplement them. LVT stops the land value created by local transport improvements leaking away to those who have not paid for them. With revenue from this new source, taxes on labour and expertise could be phased out, allowing more jobs to be created, and the general level of earnings to rise. This would also reduce capital and running costs of transport networks and many more schemes would appear to offer 'value for money' than at present. Ventures such as London's Crossrail, the East Coast high speed link, and efficient freight services to take pressure off roads and cut pollution, would all become viable.

Railway or tube systems link commercial and industrial hubs with their labour, raw materials and markets. When improvements reduce journey times or increase the volume of traffic, the productivity of labour and capital grows and this is immediately reflected in site values. The capital costs of building railways are so high that they can never be covered by receipts from passenger fares, which are usually only enough to cover running costs such as staff wages, fuel, cleaning, running repairs etc.

The resulting 'funding gap' is most naturally bridged by somehow recapturing the enhancement of site values. This upholds the principle that transport improvements should be paid for by those who benefit, and makes the improvements self-funding. In those few parts of the London underground where site values were tapped, the demand for new lines was responded to fairly quickly. Everywhere else, new schemes (eg Crossrail) have hung fire for decades through apparent lack of finance. L&L

The above article is an edited extract from The Case for a New People's Budget, *edited by Margaret Godden, published by LibDems ALTER, 2010, available for £5 from cehodgkinson@aol.com. A second edition is due soon.*

letters

Taxation—a step in the right direction

After its cool reception last autumn, Vince Cable's Mansion Tax (MT) was overwhelmingly adopted by the Liberal Democrats at their annual conference in March 2010.

MT is to be an annual tax based on the market value of large single-family domestic properties. It would levy 2% of any value over the first £2 million. So the liability on a property worth £2.5 million would be £10,000 pa. (2% of £0.5 million).

It's proposed that the money raised will be used to take many on low incomes out of tax altogether by increasing the personal income tax threshold to £10,000, which would also reduce the bills of those who did pay tax by £700 pa.

MT could be regarded as a crude form of Land Value Tax (LVT), since over two-thirds of the value of any mansion is usually in the land that it sits on. Crude, however, because by exempting the first £2 million of a property's price, MT will only begin to collect a sizeable share of underlying land value in the case of mansions well over the £2 million threshold.

Nevertheless, by pairing MT with proposals to reduce income tax, the Liberal Democrats have at last put into the political arena the central Georgist principle of shifting taxes away from work and enterprise and onto the underlying land value locked up in real estate. MT may not be LVT, but it is a new and significant step in the right direction.

MT would ease government debt by 'liquefying' some of the vast sums of money locked into property values inflated by reckless bank lending in recent years. It would curb future speculative inflation of property prices, and mansions currently held empty as 'inflation hedges' would be forced back into use, creating jobs made more rewarding by reductions of income tax.

John Howell
Executive member,
LibDems ALTER

Repackaging poverty

Recent press items have highlighted some distressing and depressing figures that illustrate the extent of poverty levels in Britain. For example, 13% or 1.7 million children are now living in severe poverty, an increase of 260,000 since 2004; 20% of Britons have no savings; 50% make no provision for a pension. These three examples do nothing more than confirm that the multimillions of pounds of state benefits (£100 billion a year on the NHS alone) handed out in an attempt to solve the problem have done little or nothing to provide a long-term solution; neither has all the humanity, sympathy, sacrifice and hard work provided by numerous charities.

How can this be? Why, with so much effort and so much money is the problem of poverty getting worse?

As readers of this journal will know, the cause of poverty has been well understood for over 100 years. Yet everybody, from politicians and social reformers to the public themselves, appear not to appreciate the simplicity of the solution or be persuaded to examine the causes of poverty rather than meddle with effects.

If we are to make any progress against the spread of poverty and unemployment, perhaps we should consider a new strategy. The question for us might be: can we take a lead from modern marketing and public relations and re-package our product to achieve greater public awareness of where taxation should be levied and the benefits such a shift would provide?

Michael Hawes
Newark, England

reviews

Making Sense of Energy

Sustainable Energy—Without the hot air
by David JC MacKay
UIT, 2008, 384pp, p/b,
ISBN: 978-0-9544529-3-3

David MacKay is a professor in the Department of Physics at Cambridge University and Chief Scientific Adviser to the UK Department of Energy and Climate Change.

Professor MacKay looks at the broad sweep of balancing supply with demand in the UK over a long period of time. He reduces consumption and production of energy to a common base of kilowatt hours per day per person and reviews several ways of balancing the equation.

Of particular interest to Georgists is the way he discusses the energy available per unit of land area for the common renewables and the limitation thereof.

A stimulating read of top quality for all those interested in the energy supply this book is of international interest as the principles may be applied to any country

As the title indicates many swipes are taken at the advertising and slogans of vested interests.

I particularly enjoyed the way he cuts through the jargon of the units of energy consumption and production which confuses so much of the energy debate.

Those who are not mathematical and technical will be glad to know the necessary discussion is in a section at the back which does not have to be read to enjoy the rest of the book.

Topics covered, on the demand side, include; population growth, cars, aeroplanes, transport, heating lighting, packaging etc and on the supply side; coal, oil, hydro, wind, nuclear, solar, tidal, biomass, heat pumps, energy storage etc.

The book is available free at WWW.WITHOUTHOTAIR.COM.

Can I give a better recommendation?

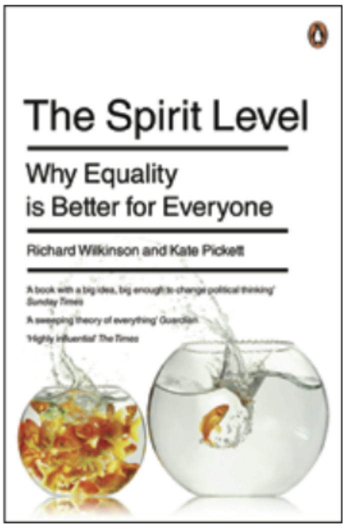
W.R. Elliott

The cost of inequality

The Spirit Level: Why More Equal Societies Almost Always Do Better by Richard Wilkinson and Kate Pickett
Penguin, 2010, 368pp, p/b,
ISBN: 978-0-1410323-6-8

After the biggest economic crisis since the 1930s, people are angry with the bankers and disaffected with the political class. What will be done to resolve matters? The 'Spirit Level' provides timely evidence on which actions can be considered and, hopefully, put into effect. The book shows statistically that developed nations do not improve wellbeing simply by more growth in GDP. The authors develop their case by showing that, in a range of developed countries where income inequalities are more extreme, life expectancy is also lower, the percentage of infant deaths and teenage pregnancies are higher, obesity is more common, educational performance is lower, and problems of violence, homicide and imprisonment are greater.

Social mobility is shown to be significantly weaker in the UK



and US, and the index of health and social problems considerably worse compared to most other countries. The UK and the US are among the most unequal and the Nordic countries and Japan the least. This seminal work makes a strong case to establish the causal link between inequality and health and social problems. Further, it shows that people need a feeling of self-worth based on their contribution to the wellbeing of others, rather than on their status in society—depending on mutuality and reciprocity rather than material self-interest.

The authors describe the steep rise in inequality since the 1970s in both the UK and the US. They show that the vast majority of the population are harmed by greater inequality so that the benefits of more equality are not just gained by the poorest. They indicate that the route to greater equality can either be through the tax and benefits system or by lowering the differences in gross income.

They offer no single solution, favouring more cooperative types of organisations and employee ownership. The book also touches on the need to develop a sustainable economy. The strong message is to find the means to replace the current individualism, materialism and consumerism by mutuality, reciprocity and cooperation.

Given such clear evidence from the authors of the serious effects of inequalities, we are faced with a huge challenge on how to deal with the many resulting health and social problems. We cannot just leave it to the politicians who, as the authors point out, have the opportunity to do genuine good but do not pursue egalitarian policies until their survival is seen to depend on it. So there must be a concerted movement by the many committed organisations and individuals to raise public awareness of the need for change to re-establish a society based on equality and liberty.

John Lipetz

Prime Time

Prime Minister
by John Stewart
Shepheard-Walwyn, 2010, 224pp, p/b, ISBN: 978-0-8568327-4-1

Many of those who have read John Stewart's first two 'economic' novels will be eagerly anticipating his third. The first book in this unofficial trilogy, *Visitors*, described how visitors from outer space come on a trip to planet earth because they are grateful for the knowledge of mankind's master teachers, such as Jesus, Buddha and Plato, but unlike humanity have actually followed them.

His second book, *The President* imagined the most powerful man on the planet experiencing an epiphany and learning from his chauffeur of the teachings of Henry George. A highlight is the emergence of the three questions: What is location value? Who creates it? To whom does it belong?

Now the trilogy is complete with a new book called *Prime Minister*. The scene is set after a global financial crisis similar to the one that started in 2008. John pulls out of his amazing hat his own solutions, and the tale is told with many twists and turns, leading to the start of a new era in economic management.

A book publisher, Alexander Collingwood, writes a letter to the leader of the Opposition, proposing a discussion and to his surprise, this is responded to. But the situation is so bad that a coalition is formed, and the leader of the Opposition becomes Prime Minister.

The principles are laid out in beautifully set chapters, with objectors, dissidents and unforgettable answers.

John has lit upon a new way of delivering a message derived from Henry George but brought right up to the present.

Tommas Graves

lars rindsig's view from the right

In Washington DC you'll find a number of buildings used by various branches and institutions of the federal government. Famously, the White House on 1600 Pennsylvania Avenue, some distance away from the Capitol area which hosts the Supreme Court, the Library of Congress and the United States Capitol itself, of course, with its dome, which is about as characteristic as the UK Houses of Parliament's clock tower. And like London's Whitehall, Washington's Capitol area also requires a number of office buildings for officials and public servants as well as parliamentarians.

Because the American government is big (both in terms of sheer head count as well as in the degree to which it busies itself with peoples' lives) it needs a lot of office space. Three ruddy big office blocks are located due south of the Capitol—Rayburn, Longworth and Cannon. They're big, They house a lot of people who, being government employees do silly things. But like other people they come to work in the morning and go home in the afternoon. For that purpose the public coffers have paid for a road network (which almost indubitably facilitates buses and taxis) as well as a very conveniently located underground Metrorail stop. And then there's some parking space. And then a bit of grass. To the west of the grass: some parking space. And to the south: there's some parking space.

As the Americans say: Hot diggety, mama, that's a lot of parking space. Now, keep in mind that this is the centre (both physically and metaphorically) of the perhaps most important city in the most important country in the world. Bubba, dat gon' be some dang expensive land. If, for no other reason, simply because it's next to a city centre railroad stop which, as we've seen, drives land prices up, up, up. And what's the best conceivable land use for the area that the planning authorities in Washington DC could come up with? Surface parking. Not a parking house, not underground parking below office buildings. Just a lot of tarmac with white stripes on it. Well, and a bit of grass.

Across from the government buildings, opposite the train station, lies the head office of the Republican Party. I don't know if that's significant, specifically. But this is: land is scarce and should be used effectively and in a way that is best for the community surrounding it. That's one reason land value taxation is a good idea—it makes it more inefficient, more cumbersome and more expensive to not utilise well-located land to its greatest potential. But—then there's government. And government wrecks things because it doesn't dare allow people to decide for themselves and because it doesn't trust the market as a reliable mechanism for expressing those decisions. Government at various levels wants to zone, plan or whichever cryptonym is in vogue to describe what's really going on: government wants to decide how land is used. And government does a poor job of it. The silly business seen around the Capitol is one example. There are many more. But really, isn't it so much more poignant when it's as obvious as this?

The market doesn't work when government is involved. But it works really rather well when people are involved. Government, whether at federal, national, regional or local level has no business interfering in how land is used. That privilege belongs to people and their community.

Publishing Progress

As part of our continuing series of interviews, John Triggs talks to people who are working towards getting the ideas of Henry George and economic justice more widely understood and accepted. In this issue we meet **Anthony Werner**, managing director of book publishers Shepheard-Walwyn

AMONG THE barrage of television and radio programmes, magazines, text messages, blogs and Twitter updates, one ancient information medium is still working remarkably well to get its message across—the humble book.

Today, centuries after its emergence, and despite the continuing development of new technologies, nothing has yet been invented to compare with the pleasure, ease and usefulness of reading a beautifully published book.

That fact must come as some comfort to Anthony Werner, who has spent his life immersed in the world of books, firstly as an employee of Pergamon Press and Oxford University Press and later as a partner and chief executive of the small publishing company Shepheard-Walwyn.

The company was set up by Christopher Shepheard-Walwyn in 1972 and from its inception, began producing beautifully produced books.

Werner took over the company in 1979 and became interested in publishing books on Henry George-inspired economics when he agreed to publish an early Fred Harrison book, *The Power in the Land*, in April 1983. Today, aged 70, he continues to publish books by a wide range of authors writing about the injustice and folly of conventional economics.

Ironically, he is working in an industry increasingly being squeezed by the same flawed economics his authors are protesting against.

"Our economy is ruled by this absolute obsession with constant growth," he says. "That creates an economic pressure many companies simply can't cope with."

The publishing and bookselling industry is no exception. Not only is it facing enormous competition, with more than 200,000 books published in the UK each year, but the emergence of two dominant players – Waterstones on the high street and Amazon on the internet – is making survival for the smaller publishers and booksellers increasingly difficult.

"An independent book store will want a 35 per cent discount to sell a book on spec but a chain like Waterstones is so large they can demand a 40 per cent discount. Amazon are able to demand a 52% discount," explains Anthony. "To compete with that and with the big publishing companies and their huge advertising and publicity budgets is very difficult. It can be like pushing a very big rock up a hill for very little financial reward."

But Anthony believes the technological revolution has also brought opportunities. "The internet is like an index in a book; it makes it very easy to find things that couldn't be found before," he says. "The bookshops that survive will probably have to move out of the high street to places where the rent is cheaper and start their own websites so that the shop itself only becomes a small part of their business. There is also an opportunity for specialist book publishers to sell their books on websites, that also become discussion forums for their subject."

This is exactly what Anthony hopes that Shepheard-Walwyn's brand new economics website, www.ethicaleconomics.org.uk will do. The site, which has only just been launched, features all the Shepheard-Walwyn economics titles in one place but also includes a blog and forums for comment on the titles.

It is one part of Anthony's battle to draw the attention of the public to books that are, after all, not related to orthodox economic thinking and can be harder to promote.

"If a bookshop is offered a book on conventional economics by a known author, they are likely to stock it because they know that economics professors are likely to recommend it to their students," he says. "Our job is more difficult because we are promoting a different idea so bookshops feel they are taking on more of a risk."

However, he says, progress often can be made by approaching the problem from a new angle. "One of the books we are selling, *The Secret Life of Real Estate and Banking* by Phillip J Anderson, explains how property investors can make money by playing the 18 year cycle of boom and bust in the housing market that other economists have missed because they have ignored the land question," he explains. "It is selling quite well and the people buying it are investors with plenty of money interested in making more of it, but if people wake up to the significance of what Anderson is saying the land question may creep back in to mainstream economics. The long term gamble is that sometime, hopefully before I'm dead, there will be a recognition that modern economics is deeply flawed. When that happens and people really start wanting to know more, we've got a lot of interesting books to show them."

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