



PUBLIC REVENUE WITHOUT TAXATION

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Henry George is mostly remembered for his recognition that the systems of taxation employed in his day, and which continue to dominate fiscal policy in the UK and throughout the world, are unjust, inefficient, and ineffective. They discourage wealth creation, positive economic activity, and employment, and prevent people and nations from realising their full potential. They involve theft, they encourage dishonesty, and they fail!

In summarising George's ideas for an alternative that would suffer none of these defects we invite consideration of the following:

Everyone is obliged to live and earn a living somewhere, and today working people and firms compete with each other to pay for the best places to live and undertake their businesses. Each pays rent for the best place they can afford from the wealth at their disposal.

Earnings represent the wealth people and firms receive in return for providing the enterprise, labour and capital involved in the production of wealth. Every nation's wealth is thus shared between rent and earnings and earnings amount to the total wealth produced minus the rent that must be paid.

If rent really is the most that a person or firm feels they can afford to pay (taking into account everything else that they value) earnings become the least the suppliers of labour and capital are prepared to accept in return for their deployment.

Where population is sparse, land is freely available, and wealth production is simple little or no rent will arise and earnings will retain a high proportion of the wealth produced. However if population is concentrated, land is not freely available, and wealth production is refined and specialised, i.e. in a developed economy, a high proportion of the wealth produced will go to rent i.e. everything in excess of earnings at the margin of production – below which no wealth is produced because the suppliers of labour and capital are not willing to engage.

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Now, the location value of the rent arising in a developed economy is not produced by any individual or firm but by the presence, protections and services of the whole community. It is thus not due to any individual or firm but to the whole community and constitutes a natural source of public revenue.

But, the rent that people and firms can afford to pay from their earnings is reduced by all the non-discretionary leakages and losses they suffer e.g. due to taxes, fraud and theft (including those associated with money and banking), monopoly, etc.

If these leakages and losses were prevented in the UK (i.e. more than 40% of GDP) the rent available for public revenue (or for whoever else collects it) would be more than sufficient to meet current public expenditure requirements!

Here we may see how public revenue may be raised without taxation – merely by collecting a value for the community that the community itself creates i.e. location value - rent.

From the earliest times communities and/or their governments have influenced how land within their territory may be used, usually by prescribing or prohibiting certain uses at particular places. In the UK public control of land use is exercised by Local Authorities who develop local land use plans and grant or deny planning permission for plots of land where a change of use is contemplated. A site's permitted use has a profound effect upon its location value.

If this value becomes the basis of all public revenue the duty of care that those representing the community's interests have for integrating socio economic and environmental considerations becomes obvious. As also does the need for this duty to be discharged in a totally transparent manner. Everybody needs to be aware of each site's permitted use, the financial consequences for the community, and obligations that land holders are under. Under these circumstances it is difficult to imagine that the control of land use would be as passive and reactionary as it currently is. The community and its representatives would be required to address land use and public revenue issues directly. Planning and tax decisions need no longer to be characterised by the financial interests of a few but by coherent and conscious evaluation in the interest of all people and the planet.

If the community acting consciously for the good of all is enabled to exercise positive control over the use of an element that is critical to the welfare of all it becomes possible to allocate land to uses that benefit the whole community. More than merely reserving certain places for parks, nature reserves, reservoirs etc. it would be possible for a community to reserve certain sites for uses that are deemed of social value rather than merely commercially viable. Community meeting places are an obvious example but the community might decide that it particularly values such things as arts, craft, sports, education, organic food, a pub or church etc. and allocate sites accordingly. Interested parties could then bid to rent such sites and as we pointed out at the beginning of this piece each would bid as much as they could afford – and the bids might not always be a positive sum! Enlightened landlords have operated this way for centuries, once economic justice is established why should not the community act in just such an enlightened manner?