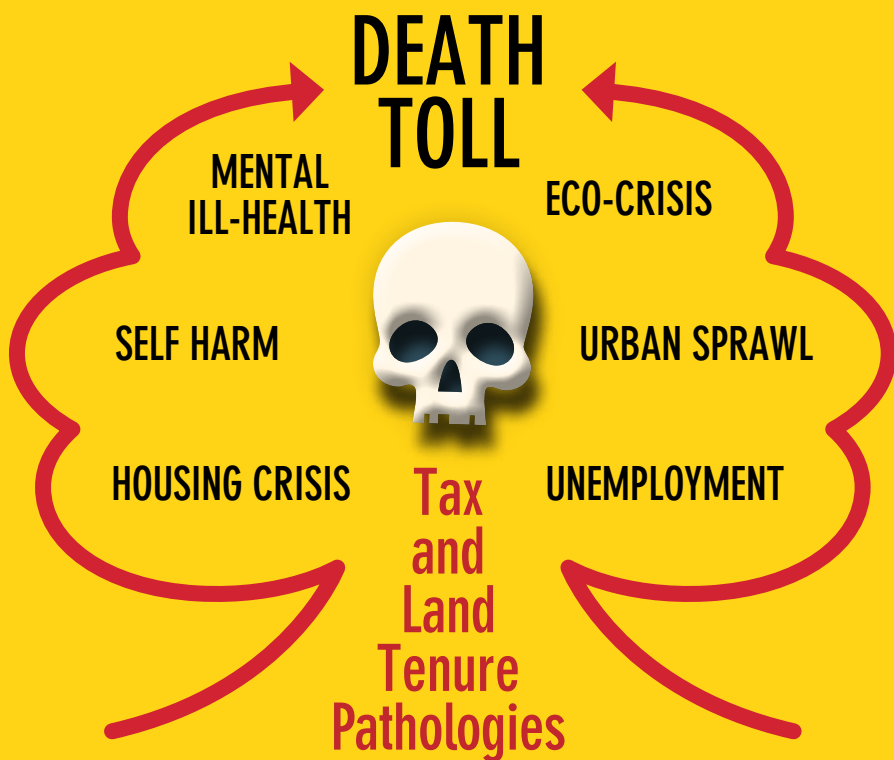


Taxed to Death

It need not be this way



Britain suffers from tax-induced crises that would organically wither away if people mandated a change to fiscal policy. Un-taxing wages and raising revenue from the nation's rents. That's *all* it would take to curb premature deaths!

FRED HARRISON and ROGER SANDILANDS



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THE INDICTMENT

The British State is failing in its duty of care to the peoples of the United Kingdom.

- ▶ The young and elderly suffer from attrition in the services they need.
- ▶ Law and order contracts because of under-funded police services.
- ▶ Military leaders report that the armed forces are not fit to defend the realm.

If there is one fact that shames the State as guardian of the nation's welfare and wealth, it is the reversal of life expectancy in Scotland, Wales and Northern Ireland reported by the Office for National Statistics. Dr Michael Marmot, Professor of Epidemiology at University College London and President of the World Medical Association, states: "In parts of the UK, life expectancy is going down. [I]f health is getting worse that means something is going terribly wrong."

The neglect is *wilful*. Responsibility must be attributed to the way the financial affairs of the nation are administered by Parliament.

There is no secret about the formula for financing all of the services people need. Sufficient resources could and would be created by the working population.

For how much longer must we tolerate this shameful affair of State?

Taxed to Death

It need not be this way

POLITICS has been reduced to the arts of medieval medicine. Back then, doctors believed that they could bleed people back to health. They were wrong. Haemorrhaging a patient's blood accelerated his death.

So it is with modern governance, whose taxes are supposed to mitigate painful problems like unemployment and unaffordable housing. For the most part, these fiscal policies entrench the problems they create.

The net outcome: every year, tens of thousands of people die because of living conditions that are wilfully created, or sanctioned, by Acts of Parliament. At the heart of this social process is the tax regime.

The late Dr. George Miller attributed to taxation the annual avoidable deaths at about 50,000 for England and Wales alone (Miller 2003). He was as a member of the Medical Research Council's Senior Clinical Scientific Staff, a role he combined with a professorship of epidemiology in the University of London.

If there was no practical alternative way of raising revenue,



Counter-productive mediaeval medicine

the collateral damage to people's lives would have to be tolerated as unavoidable. No-one could be held responsible for taxes that now cause, or contribute to,

- ▶ *unaffordable housing*, which disrupts family life
- ▶ *urban sprawl*, which disrupts the natural environment
- ▶ *under-employment*, which disrupts people's earning potential



GEORGE MILLER

The list of such disruptions is endless. The feedbacks surface as deep deprivation in towns across Britain, *locations which endure premature deaths on a pandemic scale.*

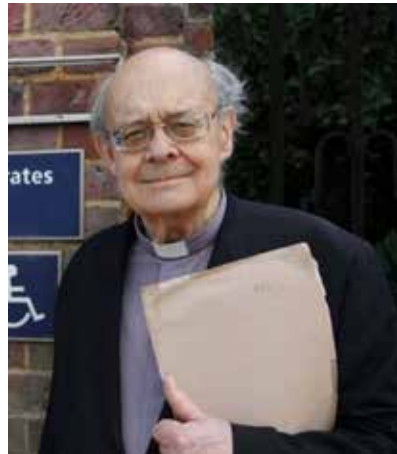
People who live in one area of Stockton-on-Tees lose up to 20 years of life, on average (Bilton, 2018). In towns like Blackpool, the average loss of life is 12 years.

In London, Anglican clergyman Paul Nicolson runs the national Taxpayers Against Poverty. He campaigns against poverty in the borough of Haringey, concentrating on wards that suffer unaffordable housing and from the government's chaotically administered benefits scheme. He knows that people's lives are at stake, especially in Northumberland Park. This ward is famous as the home of Tottenham Hotspur Football Club. But it is also the ward where male life expectancy is at its worst.

The Rev. Nicolson reports:

"I was born in 1932 in the Courtfield Ward in the London borough of Kensington, where male life expectancy today is 84 years. Men in Northumberland Park born the same year as me died on average 10 years ago. I am now 86."

Among men aged under 45, suicide is now the major cause of death (Mackay 2018). *But the*



PAUL NICHOLSON, Taxpayers Against Poverty

risk is not spread evenly across the country. The risk of suicide is 10 times higher for people in the lowest economic groups than those in the top 10% most affluent areas.

Who's to blame?

Life chances are prejudiced through the complex interaction of malevolent forces which, ultimately, can be traced back to the distortions created by taxes.

The deaths are avoidable because

People who live in one area of Stockton-on-Tees lose up to 20 years of life, on average.

(Bilton, 2018)

the practical alternative to the tax regime does exist. *Revenue can be raised in ways that dismantle*

the artificial barriers that prevent millions of families from enjoying the good life.

Twice in the 20th century (in 1909 and 1931) Parliament enacted the legislation to introduce the fiscal alternative. On both occasions,

Parliament wilfully refused to implement the law of the land. So we need to ask: since the deaths that can be traced back to tax policy are wilful, how should they be classed in law? Might a US law offer one definition (see box 1)?

Disposable vagabonds

The spatial maldistribution of life chances can be traced back to the culture of *rent-seeking*, the foundations for which were laid in the 16th century.

The scale and location of premature deaths reveals the systemic nature of these tragedies (Harrison 2006). In the main, they are the outcome of cultural forces that emerged when the feudal nobility re-designed the English State to their financial advantage.

A rootless class, the vagabonds, was created by the aristocrats who enclosed the commons and expelled the farmers. This created the social need for Poor Law support, which had to be funded.

Harvard historian W.K. Jordan interrogated the wealth of the aristocracy during this formative period of history. He concluded that the law-makers

refused to opt for the efficient way of raising revenue:

"...Parliament intended in the poor law of 1572 that assessments should be made in relation to the wealth, the ability, of the inhabitants, *rather*

Box 1

Depraved-heart murder

Wikipedia summarises the US legal concept known as **depraved-heart murder or depraved-indifference murder.** This is a type of murder where an individual acts with "depraved indifference" to human life. Such acts result in death, *even though there was no explicit intention to kill.*

In a depraved-heart murder, defendants commit an act even though they know their act runs an unusually high risk of causing death or serious bodily harm. If the risk is great enough, ignoring it demonstrates a "depraved indifference" to human life. The resulting death is considered to have been committed with malice aforethought.

In some US states, depraved-heart killings constitute second-degree murder. In others, the accused would be charged with varying degrees of manslaughter.

than by the easier device of taxing the value of the land..." (Jordan 1959:101. Emphasis added).

If Parliament had acted

The spatial maldistribution of life chances can be traced back to the culture of rent-seeking

impartially, for the common good, it would have raised the revenue direct from the natural

source: the nation's stream of rents. But something fatal happened in the 16th century. The first steps were taken to shift fiscal policy away from the principles of good governance.

The public purse became the victim of class ideology. It has remained locked in that state of conflict to this day.

The outcome is a matrix of ruinous taxes that penalise the people who work to add value to the nation's wealth. The sole objective of the fiscal architecture constructed by the nobility: reward what economists call "rent-seeking". The relative burdens of the "bad" taxes are illustrated in the graph below.

Deadweight

The economic terms for tax-induced distortions and losses are "deadweight" and "excess burden".

- ▶ In Britain, tax-induced loss of wealth and welfare has been estimated at £500bn. Every year!
- ▶ For OECD countries, the loss is about \$14tn (Harrison 2016:126-131).

Deadweight is measured as "proportional to the square of the tax rate". What this means is illustrated by Joseph Stiglitz in his *Economics of the Public Sector*. A 10% tax rate on an airline ticket, for example, results in a deadweight loss of 2.5% of the revenue that is raised. The loss is low because there is a low price elasticity

of demand (the deadweight would be bigger if the elasticity of demand was greater).

Elasticity can be translated as "mobility" – the flexibility or freedom to move or change plans, as with

- ▶ in the capital market, an investor's ability to switch projects to avoid paying corporation tax;
- ▶ in the labour market, the supply of employees is elastic if people are free to change their occupation or location where they live and work, to reduce their income tax liability.

Stiglitz (p.527) illustrates the measuring process with this graph. Deadweight losses are responses

to the way that consumer choice is distorted by expenditure taxes on goods and services or by taxes on labour and capital that discourage work and enterprise. They all increase costs, hence prices to consumers. The greater the elasticities of demand and supply, the greater the deadweight losses. In the graph, the scale of the loss is measured by the triangles. These vary in size, directly or indirectly, according to the distortive effect of those elasticities on consumer demand.

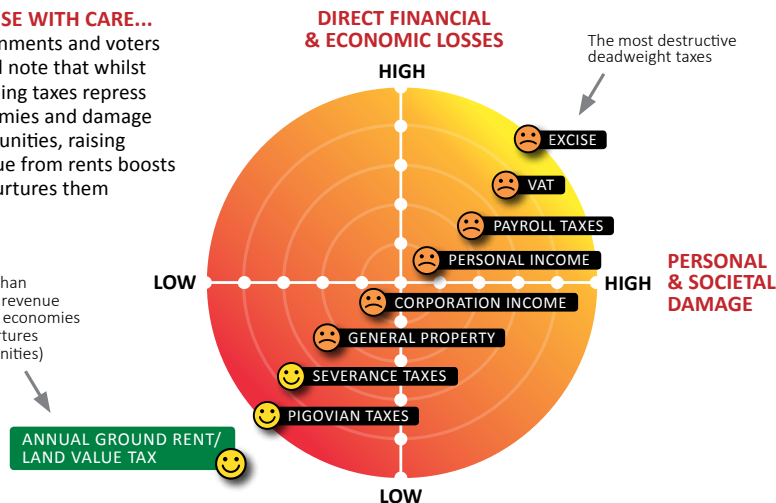
Deadweight losses vary from one tax (and tax rate) to another. It is safe to assume that on average there is a 1:1 or 100% ratio of deadweight loss for each dollar of tax revenue raised in our current regime.

The relative deadweight losses of taxes

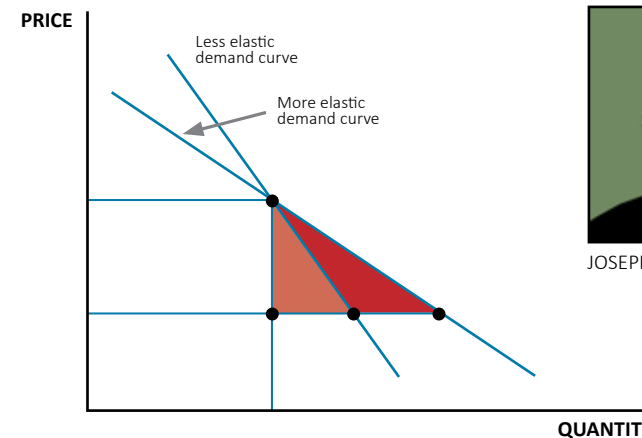
CHOOSE WITH CARE...

Governments and voters should note that whilst offending taxes repress economies and damage communities, raising revenue from rents boosts and nurtures them

Better than neutral revenue (boosts economies and nurtures communities)



Deadweight losses from distorted consumer spending



JOSEPH STIGLITZ

Box 2

Annual Ground Rent: the fiscal alternative

Economists calculate the losses induced by taxes with devices such as “compensated demand curves” (Stiglitz 2000: 111). Translation: “Taxes...give rise to a deadweight loss because they cause individuals to forego more-preferred consumption in favour of less-preferred consumption in order to avoid payment of the taxes”. Governments fail to translate such dense notions into human terms. How would the electorate respond if, on budget day, finance ministers announced that a vast number of stress points would be sustained which, cumulatively, cause premature deaths in the most vulnerable parts of a population?

People untutored in economic jargon are not helped by scholars failing to call a spade “a spade”. Take the “lump-sum tax”. Stiglitz uses this to explain that the only way to

eliminate deadweight losses is to replace taxes with a lump-sum tax. He defines such a revenue raiser as one that is non-distortionary. The neutral outcome of revenue arises when the tax is

- ▶ voluntary: people self-report the sum they are willing to pay into the public purse; and
- ▶ unavoidable: the sum must be paid regardless of how payers behave.

Only one revenue raiser embodies those characteristics: the one Adam Smith called the Annual Ground Rent. Rent is freely negotiated in the marketplace by people who expect to pay for the rent-yielding assets they need to use. That is why market prices are an information-revealing mechanism. And because land is immobile (inelastic), rental payments cannot be dodged.

An old question

The best way to eliminate deadweight loss is illustrated by Stiglitz in his discussion of the impact of the tax on wages in Philadelphia. The supply of labour is relatively flat (elastic = highly mobile) in the long-run. Land, on the other hand, is inelastic (stuck, as it were, in the ground!). It cannot be transported to a tax haven! So who (Stiglitz asks: 2000:496) bears the brunt of the tax? English philosopher John



JOHN LOCKE

Locke answered that question in 1691. In a treatise on money, he explained that neither the labourer nor the merchant could bear a tax: so it was shifted. How? *By reducing the amount of rent*

paid to the landowner! (Box 2 also indicates how distortions arise from taxes levied on wages or profits.)

The economic reality observed by Locke was destined to serve as the core political obstacle to an authentic form of democracy.



HENRY GEORGE

Enter Henry George

The implications stemming from the private capture of socially-created rent and the invasive socialisation of people’s earned incomes was dramatised in the 19th century by San Francisco journalist Henry George. His *Progress and Poverty* (1879) became a global best-seller. He journeyed across America, Europe and as far as Australia and New Zealand to alert people to the damage caused by taxation. He stressed that the principles of good fiscal governance were symmetrically related to morality.

The reaction against Henry George was violent. Academic economists became attack dogs for rent seekers. Professor J.B. Clark (1847-1938) devoted the

first half of his career to that mission, according to the most thorough study of this sad episode in the history of the social sciences (Gaffney 1994).

- ▶ *Land* was demeaned as no longer important to industrial economies.
- ▶ *Rent* was relegated as a sub-species of profit from productive enterprise and concealed from public gaze.

The *coup de grace* was administered by J.M. Keynes, the most influential economist in the first half of the 20th century. In 1925 he declared that “the land question” had been resolved “by reason of a silent change in the facts” (Keynes 1925). This freed him and the economics profession to wrestle with problems without considering the unique role of rent in the distribution of income, or the distinctive characteristics of land as a factor of production.



J B CLARK



J M KEYNES

Box 3

The Myth Makers

The Economist conflates land with capital, which automatically leads to the gross under-estimation of the value of land. All of the “capital” involved in valuing capital’s share of wealth sits on land, notably in amenity-rich metropolitan locations. Similarly for the value of equities and bonds that are assigned a much larger proportion of the wealth of the very rich than is “housing”, according to one of the authorities cited by *The Economist*.

Another red herring is the worry that homeowners may be asset rich but income poor. This raises concerns about affordability. Analysts ignore that a rent-based charge should not be an additional but a replacement levy, and that the ATCOR effect should also be taken into account.

Replacing taxes with Adam Smith’s annual ground rent reveals the underlying value of land and its rents, a reality that featured long ago in the writings of the French finance minister Anne Robert Jacques Turgot, (1727–1781).



TURGOT



MASON GAFFNEY

ATCOR and EBCOR

From 1945, macro-economics became increasingly distanced from on-the-ground reality, reports Mason Gaffney, Emeritus Professor of Economics at the University of California. His lifetime’s work was informed by the insights from two acronyms – ATCOR and EBCOR.

► **ATCOR:** all taxes come out of rent

Economists understand the theory. This is how Nobel Prize economist Joseph Stiglitz put it: “If capital and labour are mobile, the incidence of any tax lies on land, the immobile factor.” (2000:769).

But in their research projects, and advice to governments, they fail to quantify and focus attention on the ATCOR effect – the way income is shifted back and forth with the ebb and flow of the economy, affecting the relative distribution of power between the factors of production, and on the true potential or underlying size of rent as the alternative source of state revenue. (See also Harvard’s Martin Feldstein, 1977.)

► **EBCOR:** excess burdens come out of rent

The loss caused by taxes also reduces the actual and potential quantum of rent that would be available to governments. Without the deadweight losses, governments would have all the revenue they need to fund public services.

Booby-traps

Embedded in learned texts that identify rent as the ideal source for public revenue are the booby-traps which serve as escape clauses for policy-makers. Stiglitz, for example, formulated what he called the *Henry George Theorem* (Arnott and Stiglitz 1979). But in his textbook on public sector economics, his students are told: “It is difficult to ascertain how much of the value of land in urban areas is inherent in the land and how much is attributable to improvements” (Stiglitz 2000:495).

If land cannot be valued separately from improvements upon it, the rent cannot be effectively isolated and collected to fund public services!

And yet, Stiglitz acknowledges that land owners have no difficulty measuring and capturing rent!

A recent re-statement of this dodge was provided by *The Economist*. A 3-page analysis of land value taxation concluded:

“Whatever the political obstacles to land-value taxes, the power of this argument in their favour remains as decisive as it was a century ago.” But readers searching for new solutions to old problems are told (2018: 19) that “[L]and-value taxes are hard to implement. Land is difficult to value”. (See Box 3).

Australia’s tax assessors administer the land-value-based tax with no practical difficulties!¹



TED GWARTNEY

Ted Gwartney

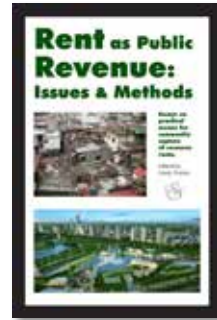
The ease with which land can be valued is illustrated by the lifetime’s work of Ted Gwartney. He taught appraisal techniques as a professor in real estate at Baruch College, New York. His professional engagements range from valuing land (as collateral for mortgages) for Bank of America, to valuing land

Land owners have no difficulty measuring and capturing rent

1. See the NSW Value General’s website. http://www.valuergeneral.nsw.gov.au/land_values. A pilot survey commissioned by Glasgow City Council (2009) also found no insuperable problems with the separate valuation of land. Assessors and estate agents regularly assess both buildings and location. Site valuation is the relatively simple part.

for fiscal jurisdictions across the United States.

As Assessment Commissioner for the Canadian state of British Columbia, Gwartney directed the valuation of land in 180 cities and rural districts in a territory that is more than three times larger than the UK. As a private consultant,



Gwartney assessed the taxable base of California, which is more than three times larger in size than England.

None of these exercises were beyond the professional competence of the standards expected of British surveyors!

Gwartney's most recent account of how to value land appears in *Rent as Public Revenue* (Davies 2018).

Global evidence

Empirically, there is a rich archive of evidence on rent-as-public-revenue which includes the unique exercise on the island of Hong Kong. Britain's colonial government instituted the rent-based funding policy because it had no choice: the land was held on lease from China. *Merchants paid the rent of land into the public purse, which removed the need for taxes on enterprises.* Hong Kong's success is primarily due to this one twist of fiscal fate.

But myths continue to bedevil public policies. Take Singapore,

where governance is among the best in the world. Its foundation myth is that "As Singapore's only resource is its people, the only way to compete is the acquisition of knowledge." (Hong 2013:145). For the reality, see Box 4.

Good governance

By shifting to the rent-based revenue system, sovereign debt and the welfare burden on budgets would shrink organically as people were emancipated from the state of dependency to which they are now consigned by taxation.

- ▶ Wages would rise to self-sufficient standards
- ▶ House prices would stabilise at affordable levels
- ▶ Barriers to life chances would be dismantled

Such outcomes will not occur without the peoples of the four nations of the United Kingdom first engaging in an informed conversation. The premature death of citizens by Act of Parliament – intentional, if only by default – is the most urgent issue in need of debate.

If the electorate takes control of the conversation, it would then be free to decide whether to mandate the one financial reform that would liberate the economy and society.

The Economist: 'Tax Land'

Sept. 15, 2018, page 48, reports:

'The best solution...was well known, and pursued by liberals, in the 19th century. Tax landowners according to the underlying market value of the land that they own. Such a tax would capture for society part of the windfall that accrues to a landowner when his local area thrives. Land taxes capable of replacing all existing property taxes (which are raised on the value of what sits on the land, rather than just the land itself) and then some would greatly sharpen the incentive to develop. Because the amount of land is fixed, a land tax, unlike most other taxes, does not distort supply. At the same time, ease planning restrictions...The curtailment of development rights enriches even owners of vacant plots; if the windfall gains from soaring property values are heavily taxed, NIMBYism will not be such a profitable strategy.'

Box 4

'It has been said many times that Singapore's only resource is its people'

Dr Tony Tang Keng Yam, Deputy Prime Minister (2001)

In fact, Singapore's greatest asset is her rent-generating geographic location at the narrow cross-roads between East and West. The natural deep-water harbour generates substantial fees. Wise governance delivered prosperity by using the location's advantages to benefit a rapidly growing population (plus the annual 15m tourists). Free trade with neighbours provides all the food and raw materials needed by the island state which operates as the hub for the Asian region's exports. Tax policies were designed to discourage land speculation.



Plaid Cymru leader installed on LVT ticket



The Welsh nationalist party elected Adam Price as its leader in September 2018. He proposes income tax rates in Wales be cut by 9p and business rates and council tax be ditched, with the revenue replaced by a charge on the value of residential, commercial and industrial land. The Welsh Government will exercise more power over taxation in April 2019, including partial control of income tax. www.bbc.co.uk/news/uk-wales-politics-45367710

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Quest for Justice

Taxpayers Against Poverty

endorsement for Land Value Taxation



"Land is the gift of a generous and loving God intended for the provision of shelter, food, water, fuel and clothes for all; or, if you are a humanist, land is a gift of nature for the same purposes". **Anon**

A summary of the benefits of land value tax

We believe dead weight losses are something of which the public ought to be aware and the Treasury ought to publish. In addition to the failure of the Treasury to measure or publish the dead weight losses of the present system of taxation, we are emphasising, by all means available, the following points in support of the land value tax.

- ✓ Land Value Tax is a secure progressive source of revenue.
- ✓ A small percentage tax on the value of all land could gradually replace inefficient and regressive taxes like council tax, business rates and stamp duty.
- ✓ It is paid by the landlord not the tenant. It relieves low income tenants of the council tax and its draconian enforcement.
- ✓ Exemptions can be arranged for high asset low income households.
- ✓ It has been found to bring empty homes and unused land into use in Harrisburg Pennsylvania and other US cities. It works in Denmark, Australia and Hong Kong,
- ✓ It would encourage the four big UK builders to release their bank of 450,000 plots of unused land.
- ✓ Land cannot be transferred tax free via the internet to an overseas bank; so taxing it in the UK might even recover a little of the trillions shipped out to tax havens by the City of London.
- ✓ It enables land owners to contribute to the common good from the *unearned* increase in the value of their land due to the market, so relieving the landless tenants and themselves of the need for high income taxes.

An LVT Colloquium at the Royal Institute of Chartered Surveyors in September 2015 concluded that. "...the technical issues often quoted as providing reasons not to switch to assessing land rather than property, namely valuation methodology and data, are capable of solution within the UK context."

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HENRY GEORGE



MASON GAFFNEY



TED GWARTNEY



GEORGE MILLER

Economics as an intellectual discipline is in urgent need of interrogation. The authors of *Taxed to Death* claim that the inquest is a matter of life and death.

Governance is prejudiced by theories that are intentionally designed to accommodate the structural flaws in the economy. Ideological interventions since the onset of universal suffrage were, in the main, calculated to deprive law-makers of the insights from classical economics. This inhibited governments from adopting the fiscal policies that would deliver inclusive growth within cohesive communities.

Fortunately, scholarship has its heroes as well as its villains. They were willing to risk personal preferment to develop policies that would remove barriers to the full and equal lives that *everyone* could and should enjoy.



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