

## **The Silver Bullet**

by Fred Harrison

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Many countries suffered from the advice of celebrated 'end of poverty' economist Jeffrey Sachs. Illustrating how the Washington Consensus perpetuates and aggravates the world's social and economic problems, Fred Harrison highlights the case for policies such as land value taxation. By switching our attention from the role of lvt in the countries of Europe and North America, to many countries in Latin America, Asia and Africa, he drives home the potential worldwide importance of the policy.

Harrison emphasises that "competition delivers optimum efficiency *only if the distribution of income also conforms to the principle of justice....*In the capitalist economy, most social and economic problems stem from the fact that the pricing mechanism is legally and institutionally constrained from functioning either efficiently or fairly. Specifically, the problem is located in the system of public prices – government's taxes – which are a covert way of redistributing income *from the poor to the rich*". I needn't spell out here Harrison's explanation of how that works, but it is clear and it is important to understand it.

Harrison's case studies all throw up points of interest. For example, after overthrowing the last imperial dynasty in China in 1911, Sun Yat Sen – in his *Three Principles of the People*, combining economic understanding from the West with the ancient wisdom of China – followed the teaching that land values shall revert to the community, *or*: when Chiang Kai-shek led the Kuomintang to Formosa after their defeat by Mao's Communists in 1949, Sun Yat Sen's *Three Principles* helped to launch Taiwan's development as a modern economy. But Harrison hopes the way may still be open for China to evolve a form of what he calls 'social capitalism', based on the *Three Principles*. Social capitalism, he emphasises, would not be "a hybrid (a pastiche of existing political doctrines), but a unique philosophy of social organization designed to liberate the individual and protect the common good".

It would be based on "the socialisation of rent and the privatisation of wages and profit". President Chavez of Venezuela, for example, should have realized that "the socialist paradigm is of little use to the people. It was well tested and abandoned in the 20th century. So why wave the socialist flag under the beak of the American eagle?...If Chavez had announced not land reform but tax reform, Washington would have found it more difficult to justify its plots against [him]."

That insight into presentation prompts me to end with three suggestions for getting intelligent, active people to give serious attention to the book's case. First, we should use today's language. Busy, fully engaged people don't have the time and energy to figure out how the meaning of 'rent' in classical economics differed from what it means in everyday life today.

Second, beware the 'silver bullet' concept. Don't fall into the 'single tax' trap. People think they know very well that there is no single solution to poverty. Not only taxation, but other elements too have a bearing on poverty. Public spending, instead of distributing a share of the value of common resources as a citizen's income, now subsidises profit-making private sector corporations (including financial ones) to provide public infrastructure and services to dependent citizens. Creating the *national money supply* in the form of profit-making loans to bank customers, encourages its investment in rising land values, not productive employment. Those, like the present tax system, are poverty-creating institutions that need reform.

Third, global warming and green taxation are now central concerns, as we face the 21st century threat of combined worldwide systems collapse – ecological, economic and social. We need to explain why land and tax reform is relevant to them. The answer is that people should pay for the value they take from using or preventing others from using scarce common resources. Among these are land sites as well as the environment's capacity to absorb carbon emissions and provide many other kinds of support.

James Robertson