



Edward Dodson on Rentier privilege

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Responding to my column on taxing property, Edward Dodson, director, School of Cooperative Individualism, sent one of his writings to “provide additional food for thought”. Indeed it does. A somewhat abridged version follows.

Poverty exists in every country, with differences in degree only. The fundamental cause of poverty is a status quo which benefits in every society a rent-seeking elite. What is “rent-seeking”? Nothing more than the ability to claim what others produce without producing anything in exchange. The most fundamental source of gain from rent-seeking is found in the system of property law and taxation that exists wherever there exists private property in nature, in the factor of production to which political economists gave the term “land”. What the classical political economists agreed upon, generally, is that land (i.e. nature) is the source of individual wealth but is rightfully the birthright of all persons equally. Wealth must be produced by labour with or without the use of capital goods (i.e. of tools and technologies). As



population increases so does the need for and demand for what nature offers, including sites in towns and cities on which to construct housing, businesses and engage in other activities. Thus, land will increase in value. Every tract of land, every parcel of land has some potential annual rental value as determined by competitive forces. That value — “ground rent” or simply “rent” — arises because of aggregate demand and not because of what any one holder of land does or does not do with land held. Rent is society’s share of the total production of goods by all members of a community or society. The amount of rent is determined by locational advantages attached to specific tracts or parcels of land.

Political economists going back to Cantillon, Turgot and Smith understood these relationships clearly and urged societies to collect rent to pay for public goods and services. Writers such as Paine suggested that a portion of the rent fund should be distributed to each member of a community in equal shares. Had these writers been listened to, the world would be a very different place for all persons around the planet. This was eventually explained in great deal by Henry George. The few economists today who have come to embrace the analysis of the political economists have produced analyses that reveal the consequences of the failure of government to raise needed revenue by the taxation of the rent of land (and land-like assets, such as the broadcast spectrum). Landed interests have effectively avoided the taxation of rent. They have managed to have gains on the sale of land treated more favourably than the wages from labour, by having tax law categorise such gains as “capital gains”, even though there is no such thing in the real world as a capital gain; capital goods depreciate over time down to zero.

Ending poverty requires that we end landed privilege. This was recognised by many thoughtful prominent leaders, none of whom were able to get their governments to change the existing system. Tolstoy tried in Czarist Russia, Sun Yat-sen in China. Churchill described the monopoly of land as “the mother of all monopolies”. And yet, here in the early part of the 21st century, control over the planet is becoming increasingly concentrated in the hands of a rent-seeking elite — individuals, corporations, cartels and other institutions that hold large amounts of land idle. Only a fundamental change in the laws directing how all governments — at all levels — raised public revenue will change the course of history.

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