

The “No Brainer” Reform

Why Restoring the Social Status of Rent is the Revolution Act

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Fiscal reform constitutes a direct challenge to the impersonal culture whose dynamics led to the formation of the modern structure of power. Understanding the nature of that structure is a pre-requisite for devising a non-violent strategy for reform.

A. On Appearances and Reality

Why hasn't the **re-socialisation of economic rent** been adopted by nations under stress, if it is true that this fiscal reform provides the optimum conditions for achieving social solidarity and economic efficiency?

It has been, in the past, under various conditions:

- ❖ in extensive territories, where the European populations had to rapidly fund infrastructure to sustain their economic activities: New Zealand and Australia in the late 19th century; and
- ❖ in emergency conditions: as when the rump of China's Kuomintang fled Mao and settled on Formosa (Taiwan).

But once the emergency conditions evaporated, the rent-seeking tendencies in human nature resurfaced; the result, in Australia and New Zealand, for example, is that the land tax now collects a very small portion of state and federal budget needs. (Nonetheless, the administrative infrastructure remains in place for valuing land separately from buildings, for tax purposes.)

The proposal to shift the fiscal structure off wages and the profits of enterprises, and onto socially-created rents (the value of services provided by both nature and society) has been vigorously promoted in the US and Europe since the 1880s; with little success, except for the case of Denmark. Why the failure to transform the financial system in the direction prescribed by both

- ❖ **economic efficiency**: national production would increase by a significant amount, if labour and capital were untaxed in favour of raising revenue from rents; and
- ❖ **morality**: the fairness argument is over-whelming.

But political resistance to change has been total. This must be explained, so that efforts to reform the system in favour of a generalised prosperity may be realistically formulated.

The rent-as-public-revenue policy is symmetrically aligned to the standards prescribed by the classical model of market economics. The tests for efficiency in the allocation of resources are met, in the way that they are *not* under the current pricing mechanism. But note that our contemporary economic problems are *not* with the pricing mechanism in the private sector. The source of the problem is the *public's* pricing mechanism: taxation.

Taxes distort private prices, which in turn distort decisions that affect the allocation of labour and capital. Thus are created the "deadweight losses" in the market economy (attributable to the "excess burden" of taxation).

That there is **total opposition to the reform** tells us that the economic discourse is hypocritical; designed to conceal reality from those who would seek to moderate the damage now inflicted on people at large. The explanation for this has to be sought in the way in which the “rent-seeking” motive engineered a total transformation of people’s personalities, and their cultures, over the past 500 years.

B. On Modernity

Our current political and financial institutions cannot be understood without referring to their historical origins. The same applies to the modern personality, and to morality as it is now practised.

(1) The Nature of the Nation-State

In the late medieval period, the feudal aristocracy became aware that it was facing occupational redundancy. Their possession of landed estates, from which they extracted rents, was **contingent on their performing services** to monarchs: essentially, military defence of the realm, and the administration of justice in their localities. But once it became apparent that the medieval state was evolving, the feudal role – and therefore the right to collect rent – was at risk. *Kings were increasingly employing professionals to fulfil the functions of the state: standing armies; civil servants (bureaucrats); and judges “on circuit” (touring the domain to administer justice)*. The nobility had little choice, if they were to survive, but to **de-couple rent from its social functions**. This could only be achieved through political turmoil: *ergo*, the civil war-type dynastic conflicts between sovereigns and their barons and knights.

The initial mission of the nobility was to privatise the land, so that they could pocket the revenue as “theirs”. The “commons” on which peasants worked for their living had to be privatised. To achieve this, the political process had to be captured by the aristocracy.

Parliament became the vehicle for the *coup* against the king and the state. Once under the control of the aristocrats, the Land Tax could be diminished, and alternative taxes on labour and capital could be introduced.

Thus, the modern nation-state was constructed *solely* to facilitate the land grabs and rent privatisation of the early modern period. Concepts like “the rule of law” are now used to camouflage the original process, which was to discriminate against the majority in favour of enriching the class that became accepted as the “land owners”.

(2) Debt-based Finance

The rent-privatisers had no choice but to encourage the emergence of a financial system that secured their interests. For if kings were to be denied revenue from the territory’s rents, how could they fund public activities on, or on behalf of, their domains? Land owners facilitated the onset of a new financial system.

Merchants were encouraged to lend money to kings, so that the kings did not have to tax his subjects. Furthermore, the kings were encouraged to accept **sovereign debts** that would not be repaid immediately (at the expense of privatised rents). Instead, the debts would be a burden on the nation in perpetuity, with the minimum paid to lenders (the interest on loans). Thus was born the permanent debt, imposed on future generations.

This meant that the banking system, as it emerged, would be an extension of the rent-seeking state. Sure enough, the largest source of revenue going to bankers is from **rent, levied through the use of mortgages**. When banks got into trouble, they could rely on the state to protect them – even if that meant imposing terrible costs on the people. (Empirical evidence for this is the way in which governments have handled the current financial crisis in Europe and the US.)

(3) Social Psychology

If the rent-grabbers were to hold on to their flow of income, they had to mould the minds of the losers. Thus, over the centuries, **people's mind-sets were transformed** in a thousand-and-one ways: they had to be made to acquiesce in their state of deprivation. In effect, the outcome was the Stockholm syndrome writ large, on a population-wide scale. Land owners became the hostage takers: the rest became tenants in the land of their birth – prisoners, or with the option to migrate and inflict the land grabbing trauma on the people of other continents (**the colonial project**).

Today, the middle-class home-owner would be the group most resistant to fiscal reform. They want to retain the capital gains which are captured by the small plots of land beneath their houses.

(4) Morality

Society's value system had to be modified, if the rent privatisers were to escape the terrible consequences of their actions.

Religion, for example, could not be allowed to fulfil its original prophetic role – as with periodically invoking the need for “Clean Slate” proclamations. The ancient civilisations realised that, to secure stability within the community, Clean Slate proclamations had to

- ❖ restore land to the original family holders; and
- ❖ cancel the debts that were incurred under difficult economic and climatic conditions (as with droughts).

The Christian Bible affirms the Clean Slate wisdom in Leviticus (Ch.25). This aspect of spiritual teaching had to be neutralised by the land grabbers. In England, it was achieved by turning the monarch into the head of the Anglican Church: now, the bishops could be trusted not to proclaim the need for Clean Slate action by the state!

C. On Social Catastrophe

One consequence of the formation of the modern nation-state is that the individuals who occupy positions of power are not at liberty to effect the one financial reform that would deliver economic efficiency and social harmony. This has grave consequences: if the system is in a phase of rapid depletion, the decision-makers are not capable of intervening with reforms that would reverse the decline. That (in my humble opinion) is the state of affairs in Europe today.

What are reform activists to do? We now understand that there is no point in trying to **negotiate change with politicians**. Politicians are not authorised to alter the system that places power in their hands. This is problematic, of course, for how, then, is change to be effected? The answer is that the people have to mobilise themselves along lines that may be described as **participative democracy**. They need a robust understanding of the enormity of the obstacles they face:

- ❖ Institutionally: on the EU, the whole thrust of change is in the direction of constructing a **super-state**. The model is the rent-seeking nation-state. The sole change is one of scale. The EU is the vehicle for preserving the rent-seeking agenda on a continental-wide scale. Thus, it is not possible for the European project to serve the purpose for which it was ostensibly created: prevent military conflicts between European powers. (The prospect of a break-up of the EU may be discerned in the scale of the political disaffection registered in the May 2014 elections.)
- ❖ Financially: the banking sector will not be reformed to avoid future crises. **Bankers** must be free to create the debts that secure the fundamental purpose of the rent-seeking nation-state.
- ❖ Trust cannot be restored in the system. Deception is the key to preserving the rent-seeking fortunes of an ever-diminishing number of people.
- ❖ Psychological health cannot be therapeutically addressed on a **societal scale**. Culture would need to be re-democratised, renewed, before a population-wide adjustment to the health of the people can be effected (as expressed, for example, through the establishment of harmonious relationships). The rent-seeking state must necessarily divide, in order to rule people and preserve itself.

D. On Change

If the foregoing is an accurate representation of the scale of the problem, does reform imply an equally fearsome transformation, to achieve an effective rupture from the past? The answer is: No!

In reality, if the change can be effected to the public's finances, there need be **no blood-letting**; no wholesale deprivation of people's property; no "night of the long

knives”. (The Marxist notion of a “dictatorship of the proletariat” is an example of trauma-thinking, as I explain in *The Traumatized Society* [2012].)

By phasing in the shift in the structure of taxation, there would be an **organic** adjustment in institutions, and in personal relationships. But this will not happen, unless the majority of people understand the **social nature of rent**, and the implications of shifting the public pricing mechanism in favour of the collection of rent-as-public-revenue.