

# BEYOND BREXIT: THE BLUEPRINT,

by Fred Harrison and Mason Gaffney

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Reviewed by Edward J. Dodson, Cherry Hill, NJ

Fred Harrison's writing is always hard-hitting and designed to move the reader to action. When he collaborates with former economics professor Mason Gaffney the combined result is, as the title of this book indicates, a special *blueprint* to be embraced and advanced. For those of us familiar with Fred's writing this book provides little that is new; however, the book is an effective primer on the true workings of political economies while tackling one of the major political developments of the current decade.

The people of Britain have chosen to reclaim the sovereignty relinquished when they voted to join the European Union. Harrison and Gaffney set out to identify the changes in public policy they believe are now required to prevent worsening conditions for the large segment of the British people who struggle to make ends meet.

To begin this analysis, Fred briefly retraces the decisions that have brought the nations of Europe to the current point of disarray. There was the First World War, of course, ignited by the struggle for hegemony among the imperialist powers and ending with the treaty terms the economist John Maynard Keynes warned would, as it did, lead to a second and even more violent global war. Yet, it is Fred's conclusion that the significant influence Keynes exerted over postwar economics teaching and economic policies set in motion postwar stresses not understood by all but a few other economists and political leaders. One can appreciate that Conservatives would nod in agreement when Keynes argued that inequality is the necessary engine of economic growth. But, even Liberals and Progressives, while challenging this assertion, simply argued for social welfare programs and progressive taxation that would redistribute income and wealth without achieving real systemic change. Their great error in analysis, argues Fred, was a failure to grasp "that infrastructure needed to be funded out of economic rents." [p.2] The authors go on to argue in this book that much of the chaos and turmoil in the world is the result of this intellectual and moral failure.

As in his previous books, Fred repeats his explanation of how the basis for just societies was undermined by the privatization of the societal fund (i.e., the economic rent associated with land and land-like assets). Few economists before and after Keynes have grasped the existence of this historical problem, although the generations of economists who studied economics after the early 1900s have been particularly weak in their understanding of land markets and the extent to which modern societies are dominated by *rentier* interests. The societal result, writes Fred Harrison, is that "the welfare of some sections of the population is sacrificed to advance the privileged interests of what tends to be a minority of the population." [p.4] Based on the proposals advanced in Britain by the new government headed by Theresa May, Fred forecasts only failure to solve Britain's social and economic problems.

Despite decades of writing and lecturing and campaigning for the taxation of economic rent by Fred and many others, Britain's

political leaders cannot seem to bring themselves to address landed privileges condemned by Adam Smith and even Winston Churchill. Churchill, writes Fred, "understood that the damage caused by taxation is camouflaged by the authorized discourse on public finance." [p.7] Remarkably, the reforms called for break down into two simple outcomes:

"Policy-makers honour their obligation to be transparent and accountable in the way they raise and spend the public's revenue.

"Citizens fulfil their obligation to pay for the services they want to share in common, as delivered through their public agencies." [p.9]

However, even at the height of popular support for the Liberals, the landed interests in Britain defeated all efforts at reform. The same result occurred during periods when Labour held power. What will it take for the British public to awaken to the cause of their past and current economic meltdowns? Fred deserves our praise for his energy employed continuing this fight even as few have been listening. He clearly holds to the optimistic view that an awakened public will demand change, if only the public can be awakened.

People are fearful. What passes for capitalism has failed to deliver the promise of sustainable economic growth with near-universal benefit to all. Politics has indeed dictated unacceptable economic outcomes in all but a very few countries Fred highlights. It matters not which faction rises to power:

"The Left and the Right failed to take into account the social consequences arising from the unique characteristics of land, the asset that is in fixed supply. Its owners exercise the power to soak up the net income relinquished by government through tax cuts. Spending in infrastructure is imperative; but the net gains – measured by land prices in the catchment areas of such investments – are allowed to sluice into the pockets of property owners." [pp.33-34]

What more is there to say, really? Well, actually, Mason Gaffney has a good deal to say about the policy mistakes made by the political leaders and their economic advisers who brought the Value Added Tax to the member nations of the European Union. As troubled as is the economic present in the United States, he provides several reasons why the U.S. has fared comparatively better than the nations of Europe:

"[T]he USA is the only major nation lacking a national-level sales tax (or VAT or GST). At the same time we raise a higher fraction of our combined national, state and local revenues from taxes on property, and income from property, and from bequests of property." [p.103]

Why is this important? It all has to do with how we actually behave, whether and how we spend, save or invest, and whether public policies reward or penalize us for producing goods and providing services to others. As Mason explains:

"We are left with this. Jobs depend on turnover. Turnover is measured by the sales/capital ratio, which varies hugely among different firms, (continued on page 14)

September-November 2016 GroundSwell page 2

BEYOND BREXIT (from page 2)

products, locations, stages of the cycle – and tax regimes. Elected officials control the last, and we as economists try, at least, to influence elected officials. Sales taxes, rampant and rising in our times, depress turnover heavily, and so depress demand for labour – both the number of jobs and their pay rates. ...Property taxes have the opposite effect, and so may some aspects of income taxation." [pp.128-129]

One, two, ten or fifty reviews of *Beyond Brexit: The Blueprint* will not be sufficient to bring the importance of this book to the attention of all who need to read it. What might help is if each person who reads this review acquires a copy of the book and gets it into the hands of someone who commands an audience and is also convinced we are heading for even more serious troubles.

(Ed Dodson may be emailed at edod08034@comcast.net)

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