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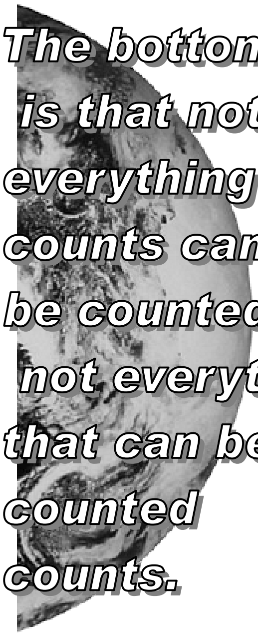
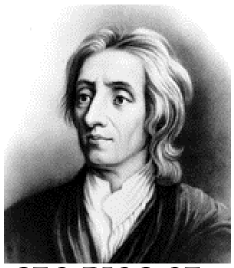
PROGRESS

- "Land belongs to a vast family of whom many are dead, a few are living and a countless host are still unborn"
  - Proverb of the Ashanti tribe of Ghana



The bottom line is that not everything that counts can be counted, and not everything that can be counted counts.



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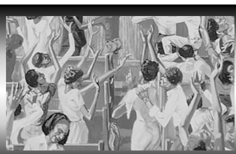


Thus spake Mr. Ed

Aristocrats and Squatters

We Aussies love to think of ourselves as egalitarian, down-to-earth types who sit in the front seat with the taxi driver and give everyone a fair go. It's such a pity this doesn't square with our ever-increasing disparities of wealth and our national obsession with making quick bucks, especially in real estate and share markets. Far from being considered thieves, those who make a killing playing these markets are more often celebrated as heroes.

So let's be real party-poopers and burst the national feel-good bubble, shall we? One of our great national myths is that European settlement was based on gritty pioneers blazing trails through the wilderness and founding a totally new society, having nothing to do with the despised system of privilege, titles and aristocracy that they left behind in Britain.

The fact is that our early European history is debased with dreadful examples of pomp and privilege, with vast tracts of land given to the Crown's favourites. Geoists are all too aware of the powerful and perpetual privilege that attaches to freehold land title, but sometimes the extent of landed privilege in Oz is hidden or disguised in clever ways.

Take the history of what we call the early Australian squatters. Now, the word *squatter* conjures up images of some poor homeless guy battling to keep body and soul together in a slummy urban squat. Thus, the common image of those early Australian squatters – we've dubbed them *The Squattocracy* – is that of poor landless types who battled across the continent in order to claim a distant parcel of land for themselves, where they braved the harsh elements like true self-sufficient pioneers and made this country what it is today.

Time for a reality check. Those we call The Squattocracy were mainly corrupt, well-connected city folk who were granted vast tracts of the best land, often before they'd even laid eyes on it. As Australia grew and prospered, their great landed estates grew more and more valuable courtesy of the efforts of the community and tax-funded infrastructure. The Great Source of our wealth had become, because of our failing to collect the economic rent for public purposes, the Great Sink of our wealth. Land was been frittered away by our governors who had not a shred of geoist understanding of the consequences. If the governors *did* realise what they were doing, then this would make them even more culpable.

How easily this whole rotten system can today be rectified by a shift in the tax system, making land and natural resources the base for public finance, and not the sweat of those who engage in honest, wealth-producing labour.

A classic example of our sordid history was screened recently on an episode of the ABC's *Australian Dynasty*, focusing on the Wentworth dynasty. Speaking of the early settlers in Sydney in the early 1800's, the narrator related that, "Like his father, William Charles Wentworth understood the importance of making friends in high places – especially governors."

Then came an interview with Mungo Maccallum, the Sydney journalist who happens to be the great great grandson of W.C. Wentworth. Maccallum related, "[Governor of the colony] Macquarie, as a reward for services rendered, gave young William Charles Wentworth the deeds to Sydney's North Shore, which was not a bad little bonus. Wentworth promptly went out and got himself into a card game and lost the lot. So he went back to Macquarie and said, 'Look I seemed to have lost the North Shore', and Macquarie said, 'Never mind, here's the Illawarra region instead', and that remained in the family until fairly recently when it was finally dissipated."

Later Maccallum recounted "When he [Wentworth] became a really wealthy landowner, instead of being a champion of the emancipists and the convicts and so on, he became a champion of the landholders. And of course famously he tried to set up an Australian aristocracy – an Australian system of lords, barons, earls and dukes – the Bunyip Aristocracy".

And to complete this outrageous tale, we have a classic example of how the involvement in the perpetual privilege of freehold land title (i.e. without land value taxation) can lead into greedy and very grubby land speculation. Maccallum (a beneficiary of the Wentworth's vast landed wealth) evidently thought the whole matter to be a big joke, and with a smirk on his face said this of some of his family, "The boys were always reinvesting it [the family fortune] in various somewhat shonky property deals."

Say no more!

Newshound on the sniff

Let's give a big welcome to one of our scholarship winners, Emily Blyth, for her first feature article in our little magazine. Not only has Emily seen The Cat, but she's even seen The Siamese Cat! Her article about her off-the-beaten-track travels in Thailand is beautifully written and full of the sort of penetrating geoist insights that get the message across far better than a bucketload of theory. Meanwhile our other scholarship winner, Mia Stewart, has been busy putting together a creative logo competition that Mr. Ed commends for your attention.

From across the ditch comes another new contributor, Simon Grant, who offers us a timely Kiwi perspective on how to pitch our message to the Greens. Scott Cope has wandered in the door after a long period AWOL, and our fired-up friend in London, Dave Wetzel, recounts the basics of geoist philosophy and practicalities that should be especially useful to inquirers. ■

TO THE TUNE OF WALTZING MATILDA

Once an honest statesman had a bright and cheering thought
"Let's not tax the worker," said he.
"Let's raise our revenue with the leasing of our land,
Let's lease Australia, the land of the free."

Up rode the cynic, mounted on his prejudice,
Up rode the tax men .....one, two, three
"What's that lot of heresy you've got in that head of yours?
You'll never lease and on that we agree."

Up jumped the patriot, thinking of the working man
"Have you not heard of history?" said he
"Tolstoy and Lincoln, Churchill and Henry George
All said that leasing is the way it should be."

LET'S LEASE AUSTRALIA, LET'S LEASE AUSTRALIA,
LET'S LEASE AUSTRALIA, THE LAND OF THE FREE,
JUSTICE FOR THE WORKING MAN IS THE THING WE'RE STRIVING FOR,
AND GOD BLESS AUSTRALIA, THE LAND OF THE FREE!

Charles Somerville
Glenhuntly Vic.
January 2005

Quotes of Note

"Some day the public will, in some way, take the benefits of the land values which the public itself creates socially and which values are largely being unearned by the great landholders..."
Roger W. Babson, US statistician (1875 – 1967)

"The landowner who withdraws land from productive use to a purely private use should be required to pay higher, not lower, taxes."
James Buchanan, (1919 -) (Winner of Nobel Prize for Economics in 1986)

"The landlords are perhaps the only large class whose interests are diametrically opposed to those of the people"
Henry Buckle, (1821 – 1862) noted English historian

"What is a man if he is not a thief who openly charges as much as he can for the goods he sells?"
Mahatma Gandhi, (1869-1948)

"You who shall liberate the land will do more for your country than we have done in the liberation of its trade."
Richard Cobden, (1804 – 1865), English economist and politician

"Taxes on income, payroll, property and retail sales discourage entrepreneurship, hiring, investment, savings and work… they also encourage sprawl, depletion of natural resources and pollution of land, air and water … They could be replaced with taxes on land values and on actions that pollute, deplete or destroy habitat."
Alan Durning, a very active Green from Oregon, from his "This Place on Earth"

"There are two problems in my life. The political ones are insoluble and the economic ones are incomprehensible."
Alec Douglas-Home, (1903–1995), British statesman

FROM OUR CORRESPONDENT IN THAILAND

One of Melbourne's two Proz Oz scholarship winners, **Emily Blyth**, saw a side of Thailand that few visitors ever get to see. And once a person has seen The Cat, it even follows you around on your travels – the Law of the Land transcends any cultural and historical differences. See for yourself, in this engaging geoist view of rural and urban life, how Thailand's system of land tenure has resulted in so much needless poverty and associated social problems.

Early this year I travelled as a volunteer to Thailand for a month to work on a project with students from Melbourne University. The "Banana Project" has been running for over five years, it is connected with community development groups in Thailand and gives four students, (one student is the translator), the chance to really work *within* underprivileged communities. During the year, students spend their time fundraising around Victoria (rotary clubs are most helpful in this), then the students travel to Burriram Province in North Eastern Thailand to distribute the money to schools that have submitted development projects that need our funding to run.

they would grab at any job that came along that could provide support for their family

The idea is to have the schools and community decide what they need most and how they can achieve this with our funding. Then once they receive funding, they need to keep the projects sustainable. Often to keep the projects running, the schools need to be self-sufficient. This often means making an income from the project that can be put back into it. For example, one school chose cloth weaving as a skill their students needed, we gave the money for the materials and tools while the school keeps the project running by allowing the children to sell what they make. Each year when university students return to fund more projects, they also check on the progress of past projects and keep in contact with the schools running these.

I was fortunate enough to be asked (not being a Melbourne University student!) to accompany this years group as the Thai translator (with the limited Thai I have!)

We received a variety of projects from schools for things they are in need of and for which their community and government cannot supply them with. This includes development initiatives that the school feels are important for skill building (the idea that by giving the students access to a wide range of 'hands on' work, they would be in a better position for employment in the future). We met community and school members, discussed the issues within those schools and received numerous projects, which we will fundraise for, this year. The other half of our time was spent teaching higher level secondary students English.

Some try to find work in the big cities but find themselves drawn into the underworld, on the street or in prostitution

The students I taught all came from very poor backgrounds. Some had no known families, some had parents in jail or on drugs, some had parents who had left the area to find work and many came from even more severe and

frightening circumstances. For those students that had parents, the one thing they would tell me when they talked of their future after finishing school is that they would grab at any job that came along that could provide support for their family. These children had all the dreams and aspirations as Australian children in normal circumstances but they had none of the opportunities. They all knew that their only chance at a life other than poverty was a good education (they were the easiest students I have ever taught – so willing to learn). Unfortunately, in Thailand, education after high school requires money and money is what these families don't have. So they continue the vicious circle that life gives them little option to escape from. Some try to find work in the big cities but find themselves drawn into the underworld, on the street or in prostitution.

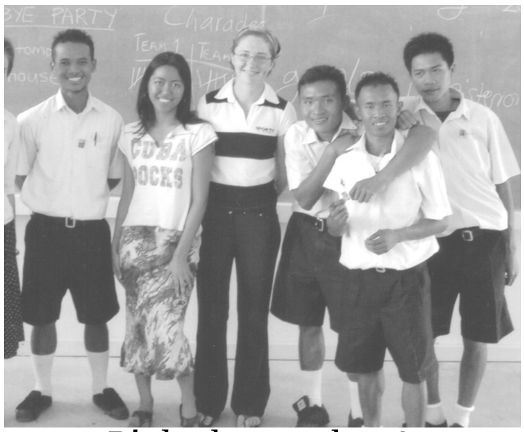
On the contrary, land is abundant, not only land for living on but land that could be used for cultivating and producing

The particular area I worked in really drove home the affect of land and the absence of access to it that the people I worked with suffered from. There is no scarcity of land. On the contrary, land is abundant, not only land for living on but land that could be used for cultivating and producing. Unfortunately, from talking to the locals, I discovered that a lot of this land is owned by wealthy individuals who either lease it or hire men to work it, or in many cases let it sit idle. It is sad to go through areas that are almost absent of both houses and people, with open spaces everywhere. Then, in town, thousands of people are crowded into tiny one room homes. Funny, it is not as though there is a shortage of material to build homes, nor a shortage of labour to get the materials. Only a shortage of *access* to land from which to take the materials and build the houses. So the communities are compressed into these small areas, forced to survive on a day to day basis.

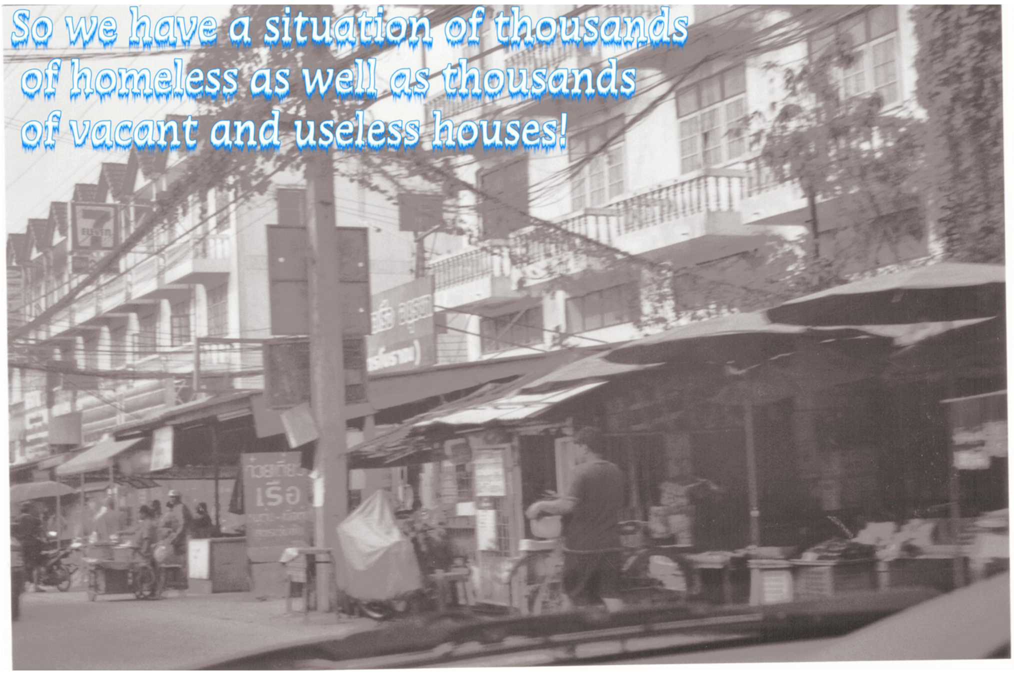
What really interested me in the communities, however, was their real sense of one another, their real sense of community. Almost every school we visited (around a dozen), were in communities that had become tired of waiting for the government to pitch in and had come together to build school buildings or managed to raise money for things like, yes believe it, clean water for the school. They also used what little resources they had to attempt development projects within the schools, such as vegetable gardens, sowing and cement tile making. These projects increase the skills of students and in turn should improve job opportunities and the financial situations of community members. However, the one thing the poor areas were missing was the one thing they could not do without - land. Land is everywhere but unfortunately most of it is completely inaccessible to the bulk of the community, being owned by small sections or by outside investors. Unable to do anything else, the majority of people are made to rely on the whims of the owners of the land, the choice of where and when to work is not theirs, necessity dictates they take what ever is handed them.

Although the communities in these areas appreciate the Banana Project funding their initiatives and although the work done in the area has benefited many children and families, I know that in reality little has been done and I know that for most their situation will not change regardless of what volunteer and aid groups try to do. We can teach these children every survival skill we know but where will they practice them? We can teach them as much English as possible and although this is a very important skill in modern Thailand, not much can be done with it without a university education to back it up (a cost none of these families can meet).

At the end of my time in the north east, I travelled back to Bangkok and begun to wonder how the land situation relates, there is poverty everywhere you look in Bangkok. There is also vacant land alongside the thousands of homeless. A city so congested and with such a big population, how can there be vacant land? So I begun to ask questions and discuss the situation with locals who knew about the land



Pick the author!



situation. They talked about numerous problems that they saw at the moment. Land of course is being speculated, particularly in the area where I spent my time (on the outskirts of Bangkok). This area is becoming more and more valuable as the population is continually increasing, even the Prime Minister of Thailand has seen the benefits and bought his share!

Along with allowing the land to sit useless while slum upon slum builds up on the little land left, the owners make profits while they wait for the land price to rise by allowing advertisements to be put up on the land. Of course this leads to the increasing ugliness of these areas.

There is currently no requirement or incentive for land owners to take care of their land and as I looked more and more around me, I saw that a big reason for Bangkok looking so ugly was the blocks that had turned into overgrown rubbish dumps. The public streets are cleaned daily by government employed street sweepers who sweep the rubbish onto these blocks. So often we are left with a situation where, without land, the homeless in Bangkok make these overgrown hideaways their homes but are soon branded trespassers on land that they were utilising better than the owners.

I know that for most their situation will not change regardless of what volunteer and aid groups try to do

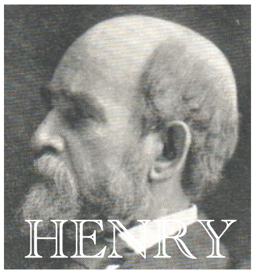
As I mentioned, the area I spend the most of my time in when I visit Bangkok is on the outskirts of Bangkok but continues to expand quite rapidly. The changes in the two years since I lived there are really quite astounding. Huge blocks of land have been changed into row upon row of brand new two story houses. Where there was once poor people living amongst the rubbish are neat gardens. I often wonder what has become of the poor people I used to see in these areas; moved further out?

An interesting predicament that has occurred with this sudden uprising of houses is that many owners have decided that the boom is upon them and so an enormous amount of bright modern homes have been built every few kilometres you walk and now they have realized that the boom is not quite widespread enough for them to be assured of success. As my friend said, "The poor are too poor to buy the houses and the rich already own their own house". So what has this lead to? An abundance of houses that cannot be filled. So we have a situation of thousands of homeless as well as thousands of vacant and useless houses! Such an absurdity! Such a waste.

The situation in Thailand as in many third world countries cannot improve as long as the wealthy minority have control of the biggest natural resource – land. I would love to see all the development initiatives started in Thailand show an effect but until poor people have more opportunities to develop and use their skills, little can change. To change, these people need more access to the land which they were born on, more opportunity to change their situations.

With the application of LVT, these peoples lives would change enormously. With the land currently owned by the wealthy suddenly unprofitable when idle, so much more land would be freed. With a steady tax on that land and the wealth going to communities, so many more development projects could begin to improve education and to give children the extra opportunities they so rightly deserve.

With steady wealth in the communities, the chances of these people owning and using their own land would be much higher. The peoples ability to generate their own incomes through small businesses would in turn improve the current rate of employment. So much could be achieved!



HENRY SAID.....

"Consider how by a thousand actions and interactions the members of every community are linked together, and how in the present condition of things even the fortunate few who stand upon the apex of the social pyramid must suffer, though they know it not, from the want, ignorance, and degradation that are underneath."

"In the new settlements, where land is cheap, you will find no beggars, and the inequalities in condition are very slight. In the great cities, where land is so valuable that it is measured by the foot, you will find the extremes of poverty and of luxury. And this disparity in condition between the two extremes of the social scale may always be measured by the price of land."

GETTING TO KNOW

THE GREENS

BETTER

When he's not hitting the curls, Kiwi geoist and Green **Simon Grant** is an environmental writer & activist, columnist , children's writer and dad.

Clearly, there has been considerable debate about a possible alliance between Geoists and the Greens for some time. The reasons for a mooted alliance are fairly obvious. They include:

- a certain amount of policy overlap. The Greens are interested in charging partial resource rentals – often expressed in terms of 'eco-taxes'.
- political necessity. Both groups need a bigger support base – especially Geoists (our supporters in NZ could currently host a convention in an unoccupied phone booth). The Greens fare a little better – but at around 6% in the polls they can't take their political future for granted.
- a certain amount of supporter overlap. There is a tendency for both groups to attract people with a social conscience – and those willing to question or challenge the status quo.

the issue of home ownership, above all things, threatens to shatter the egalitarian myth of our antipodean societies

Of course a few things stand in the way of any so-called 'alliance'. The main sticking point for the Greens is a concern that capturing the resource rental of land will lead to an intensification of land use in places where they don't want it. For while site rental would undoubtedly reduce urban sprawl, it might also encourage farmers to drain wetlands and fell forests, and turn leafy suburbs into urban jungles. Added to that, is the perception amongst environmental types that other issues, such as sustainability and protection of biodiversity are separate from Geoist policies. As we know, these concerns are misplaced, but we geoists must still address them.

Yet some of these concerns are not easily addressed. And while it is true that rational-minded Greenies won't be expecting that natural resource rentals will save the tiger or the kiwi from extinction, we need to be able to emphasis where and how Geoism can make a difference to environmental issues.

This is, as much as anything about 'pitch'. Or to put it another way: it's about identifying potential allies and catering for them as well as one can.

A good example of this is the growing interest in environmental circles in valuing ecosystem services, and integrating them into our accounting systems eg. through rates. There is a lot of work to go in this area – in terms valuation techniques etc – but site rental charges would provide the obvious mechanism. This would be a big plus for the Greens.

Unfortunately the Greens don't seemed to have grasped the full potential of site rental charges. Eco-taxes (or partial resource charges) are fine as far as they go. It is envisaged that these would eventually replace income tax and GST, but as any Geoist will tell you, it misses the crucial big ticket item – land. The other danger is that that eco-taxes might be seen as ending up being an *extra* burden for the taxpayer.

Once again, getting the pitch right may be crucial to winning the Greens over. We need to get to the table with them, in a spirit of goodwill and co-operation. We need to applaud their intent, but at the same time challenge the economic basis of their ideas. We need to remind them (firmly, but tactfully) that their economic policies do very little to address the issue of home ownership. This, above all things, threatens to shatter the egalitarian myth of our antipodean societies. The soaring cost of house prices is being noted regularly in our newspapers – and those of us with children are wondering how they will ever afford what previous generations have taken for granted.

All in all, I believe the Greens remain a good bet in terms of finding an existing party to hitch our ideas to. Neither should we be precious about this. It is a tragedy of our times that Geoist ideas are seldom voiced, let alone supported. If the Greens can take Geoist ideas onto the fringes of the political arena – and claim then as theirs – who cares? It may be that in a few years we can find other parties to take Geoist thinking into the mainstream, where it belongs. Thinking about how we might start to win some of those people over will take some doing: getting the *pitch* right for the Greens would be a useful start. ■

SHORT SHOTS

Aussie news and opinion

from GEOFF FORSTER

The Federal Treasurer announced just before Christmas that there would be an **increased rebate for child minding fees**, advanced 6 months compared with the original date. Of course the need for child minding is usually associated with high land prices, i.e. mortgage repayments, and that in a rational economy land prices would be lowered by collecting site rents for revenue. Furthermore his injunction to parents to keep the paperwork for the rebate would be utterly unnecessary in a Georgist economy — as indeed would the need for much other unproductive paperwork (e.g. income tax records).What an unnecessary waste of trees needed to be cut down for this economically unnecessary paper!

The "**ladder of opportunity**" espoused by ex Labor leader Mark Latham must recognize that ladders are based on the ground (i.e. on land), that land prices are far too high for many of Labor's aspirational voters, and that specific policies (at present not evident) are needed here.

No nation has ever acquired lasting prosperity by **exchanging liquidity for debt**, and Australia will prove to be no exception. The foundation for our present economic buoyancy rests on an unsustainable burden of consumer debt, largely built up by that generation that was able to acquire investment property using the inflated values of their residential properties. *Barry Duggan, "The Age", 22/l2/04*

880,000 Australians **want a full-time job** but can't get one. 1.2 million Australians can't afford to rent or buy a home. *Brotherhood of St Laurence Research and Policy Manager, Dr Stephen Ziguras, "the Melbourne Anglican", Oct. 2004.*

What I produce is mine. All mine! What you produce is yours. All yours! But that which none of us produced, but which we all lend value together, belongs by right to all of us in common. *Dr Viggo Starke, for many years a Danish Cabinet Minister.*

Across the life of the Fraser/Howard government**, mortgage interest rates** rose from 10% in 1975 to 13.5% in 1983. Across the life of the Hawke/Keating government, mortgage interest rates fell from 13.5% in 1983 in 10.5% in 1999 (though in 1989-90 they shot up to 15% during the recession 'we had to have"). *"The Age". 30/l2/04*

Napoleon derided England a nation of shopkeepers. Howard's GST has made Australia into a **nation of accountants**. *Martin Ball, "The Age", 30/12/04.*

The **response to those in need** from the tsunami natural disaster from Australians and elsewhere has been staggering. Just as staggering, however, is the lack of real interest in persistent poverty due to man-made causes — for example, countless millions of children work for a living; a quarter of a million children fight in wars; 35,000 children die each day from poverty-related sickness, malnutrition and disease.

"Wisdom of the Elders", by scientists Peter Knudtson and David Suzuki, explores the **attitudes** of (a) western scientists and civilization, and (b) various indigenous peoples, **to nature and the land**. The former has tended to regard "land. . . as a commodity, a resource to be bought, exploited, developed and sold", though there is a growing trend away from this among the more discerning. The latter have understood nature as a living system, and the central relationship between humans and the land.

How property pays the way for party politics, was exposed by Cosima Marriner, Elisabeth Sexton and Mark Coultan in the SMH on 2/2/05. As long as individuals can siphon off the community-created value that accrues to land (instead of LVT sanity), such irresistible temptations to influence planning and zoning decisions will always corrupt our society. This excellent article is worthy of reproducing in full:

Property developers are becoming a more important source of funding for political parties as big sharemarket-listed companies adopt "no-donation" policies. Annual political party returns released yesterday show the NSW ALP relied heavily on the largesse of developers to fund its activities last financial year.

In comparison, the NSW Liberals drew their funds from more varied sources, tapping into big businesses, merchant banks, individuals and private investment companies, as well as property developers. But across the nation, the Coalition suffered more than the ALP from rising shareholder pressure on big companies to justify their decisions to donate. Leading companies with explicit policies banning political donations include BHP Billiton, National Australia Bank, Rio Tinto, AMP and Lend Lease.

The returns published yesterday show that in the year to June 2004, the Coalition received 13 donations of more than $100,000, totalling $2.2 million.

In 2002-03 there were 19 donors in this category, giving $3.2million, and the previous year 34 donations totalling $5.9million.

In NSW, the property developer Walker Corporation was the biggest donor to the ALP, giving $152,000. At least 18 other developers donated large sums, including Cienna Group ($55,000), Toga ($55,000), Grocon ($40,000), Terrace Tower ($39,000) and Westfield ($31,000). The Property Council contributed $21,000. Two arms of the Westfield group gave Labor a total of $355,000 and the Coalition $235,000. Chinese property developer Chau Chak Wing, who in earlier years has also given to Labor, gave the Coalition $200,000.

But the NSW ALP has fallen out of favour with billionaire property developer Harry Triguboff. Once one of its biggest donors, Mr. Triguboff's company Meriton donated just $16,000 to the NSW ALP last financial year. Labor's loss was the Liberals' gain - Meriton gave the NSW branch $37,000 and donated a further $100,000 to the federal Liberal Party.

Meanwhile, Clubs NSW continues to punish the Carr Government for the poker machine tax, donating just $15,000. In contrast, the group donated $76,000 to the Liberals.

But the unions and hoteliers have maintained their support for Labor - the Australian Hotels Association gave the party $76,400, while the Liberals received only $23,500. A few individual pubs also donated to Labor, including Scruffy Murphy's and Century Tavern. TAB Limited donated $35,000 to Labor, and $28,000 to the Liberals.

Despite community unease about tobacco, the NSW Liberals accepted $56,600 from British American Tobacco, while the NSW ALP received $24,250.

The NSW ALP remained the donation kings of Australian politics, receiving $14.7million and spending $12.5million. It was almost beaten by the Queensland branch, which received $14.5million in 2003-04, thanks to a state election, and predictably spent almost all of it. This was $10million more than the previous year, and dwarfed the Queensland Liberal and National parties' combined spending of $5.8 million. This was the main reason behind the surge in total ALP donations and receipts across its federal and state branches to $45million.

The state and federal branches of the Liberal and National parties received $35million. The NSW Liberals led the way, taking in $3.6million more than the $6million spent, as it rebuilt its position after the 2003 state election and in anticipation of last year's federal election.

The Greens attacked the system, saying the public knew donations brought influence, and were a corruption of the system.

The Liberal Party attacked Labor for accepting donations from John Curtin House, which received extremely generous rent from the Commonwealth Government for its Canberra headquarters. And the Labor Party attacked the Liberals for accepting money from British American Tobacco and Philip Morris.

There's promising news in NSW, according to a February announcement. The vendor tax on homes would be scrapped and stamp duty reduced in exchange for **extending land tax to owner-occupied homes**, under a radical plan put to the state's new Treasurer, Andrew Refshauge.

The NSW Council of Social Services met Mr Refshauge yesterday and argued land tax should be imposed on owner-occupier homes, the controversial vendor tax abolished and stamp duty reduced. The result would be revenue neutral, it said.

After meeting with Mr Refshauge yesterday, the council's chief executive, Gary Moore, believed there was a possibility the State Government would ditch the vendor tax on investment properties. "I think that is on the cards," he told the Herald. "It's seen as a liability and not a very sensible tax at the end of the day."

Under the heading *"Land Tax Could Curb Executive Pay Excesses"* in the Financial Review on 15/10/04, Alan Mitchell continued his **increasingly-strong call for a national land tax.**

"At the margin, internationally uncompetitive tax rates will encourage talented people to look elsewhere. But it may be possible to lift tax rates without causing a serous flight of talent.

"My favourite candidate is a return to an national land tax because it is likely to have the least impact on people's decisions about where to live and where to invest .

"If there is one thing that highly paid executives and their families insist upon, it is a luxurious dwelling in a good neighbourhood.

"No doubt the near tax-free status of owner-occupied housing has exaggerated the size of executive mansions. But the beauty of land tax is that it is base on the unimproved value of the land. Nothing the owner does can affect that value. Instead, the value is based on things such as the public investment in roads etc. and the value of the mansions on the surrounding blocks."

****ooOOoo****

GIGGLES & GROANS

"Economics is the only field in which two people can share a Nobel Prize for saying opposing things." (*You think this is funny? Myrdal and Hayek shared one!)*

☺ ☺ ☺

ECONOMISTS do it on demand
ECONOMISTS do it with crystal balls
ECONOMISTS do it with interest
ECONOMISTS do it with models
ECONOMISTS do it discretely *AND* continuously
ECONOMISTS do it with Slutsky matrices
ECONOMISTS do it on Leontief's table
ECONOMETRICIANS do it if they can identify it
ECONOMETRICIANS do it with dummies

☺ ☺ ☺

An economist is a trained professional paid to guess wrong about the economy. An econometrician is a trained professional paid to use computers to guess wrong about the economy.

☺ ☺ ☺

A true story, apparently:

A professor was about to get married and went to the jewellers to get a wedding ring for his fiancée. The jeweller told him that he can have the inside of the ring engraved with the name of his fiancée for an additional $100 He said, "But that will reduce the resale value!" The jeweller was aghast. He said, "How can you say such a thing. You are a butcher!" "No," replied the professor, "I am an economist".

☺ ☺ ☺

THAT LAND VALUE TAXATION SHOULD NEVER APPLY TO COMMON LAND

Dear reader, you have mercifully been spared the backstage bunfight that has recently been waged between Richard Giles and me, as Richard has been pushing me to publish what I consider to be a thoroughly-unworthy article. We sorted out this dispute by my agreeing to publish Richard's article, but only with an accompanying rebuttal. As Richard has been printing his arguments in the journal he edits, this time I've been given the right of reply.

The judge in this debate is you, and we'd all be extremely interested to hear your feedback (email me at kwilliams@rabbit.com.au). It's probably best to continuously read Richard's piece (in the left-hand column) without interruption from the points I've interposed in his article, after which you can read mine and referring across to those points.

In the affirmative corner (left-hand side of the page) arguing in the affirmative (i.e. that LVT should never apply) is Mr. Richard Giles. In the opposite corner, arguing that LVT should sometimes apply, is Mr. Ed.

Richard Giles *is the editor of the long-running Sydney-based Georgist bimonthly Good Government and secretary of the Association for Good Government.*

All over Europe roads and even many beaches are privatised.**NOTE 1** Extended journeys through several toll roads (in addition to the cost of petrol) can become absurdly expensive.**NOTE 2** The same trends are evident here. But the claim has been made that Georgists should support these and other charges on common land because they are forms of land value taxation. This article examines this claim.

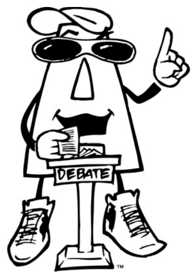
The claim that parking fees, beach and park fees, road tolls and other congestion charges are actually 'rents' certainly represents a totally new use for land value taxation.**NOTE 3** Previously land value taxation was limited to that land to which individuals were allowed exclusive title.**NOTE 4** Georgists can support these fees, it is said, because land we designate for common use is owned by the public.**NOTE 5** And, surely, the public like other landowners can charge rents for its use?

But the public may only claim to own common land if it produced it. In fact, the

Mr. Ed *reckons:*

While Richard might write well on other issues, he's become terribly muddled here, the main reason being that he's set up a false dichotomy. That is, he's effectively claiming there are only two types of land use – either land is used 100% exclusively by individuals (in which case they should pay land value taxation, LVT) or land is 100% public, meaning land in which we all share freely and equally, therefore owing no LVT. However, as we'll see, there's a whole spectrum of public/private land usage.

Of course we all want to walk down the street without having to pay tolls. Of course we want to sit in parks without having to feed a meter. Of course we all want to use a beach without having to pay a fee at an entrance booth. In normal circumstances, I have never argued otherwise, yet Richard persists in "Straw Manning" me this way (i.e. he misrepresents my case by painting it as an utter absurdity, then demolishes this figment of his own imagination).



The subtlety that has escaped Richard is that sometimes individuals can hog a disproportionately great value of common space, and that is patently unfair if such hogs don't compensate other displaced citizens. Such occupation of common space (which inconveniences the rest of us, if not outrightly excluding us) can go on for prolonged periods and can even be used for personal profit.

What's the solution to this? Well, it's not a clumsy ban or prohibition on such unfair occupation, although sometimes such measures might be necessary.
No, the best solution is to charge such hogs a fee (a variation on LVT) for their disproportionate use of common land in accordance with:

- the value of that land
- the infrastructure or amenities that public authorities may have built on that land
- the duration that the land is occupied

Let's illustrate how Richard has ignored these different degrees of usage of common land by some glaringly-obvious examples. If you walk around a shopping area, you don't expect to be charged for using public land and nor public has not produced land and it does not own it.**NOTE 6** And neither is the public, through the government as the supreme law-maker, able to make whatever laws it likes.

Using Common Land the Right Way

Natural rights stand above man-made law. The right to use land is a natural right.**NOTE 7** And, while we think it entirely appropriate that some land should be set aside for private use, everyone is entitled to use common land.**NOTE 8** Any charge upon common land is a limitation that destroys that equal right to use it.**NOTE 9**

The purpose of the fee is to ration the use of common land to those who are willing or able to pay the 'rent'.**NOTE 10** But this makes its use conditional upon a payment when, really, its use is a birthright.**NOTE 11**

Henry George compares our use of common land to the use of a club. We are free to use the rooms and facilities of the club.**NOTE 12** Times when more than one member wants to use the same facility or the same space are easily resolved by some simple act of courtesy or common sense.**NOTE 13** Simple observation of the way we use common land shows that he is right.

If you observe yourself and others using

common land you will soon see that we assert an *equal* right to use it.**NOTE 14** Far from claiming any *exclusive* use, we assist each other to use common land as freely as possible.**NOTE 15** And should you. But if someone decides to pitch a tent in a plum spot conveniently near the public toilets, you might doubt the equity of their use of common land. Or, in this same shopping area, if a store hired 50 people to wear sandwich boards around that shopping area in a mass marketing exercise, you might start to wonder, "Hey, this outfit is hogging extremely valuable public land to the detriment of the rest of the public – I reckon they should pay some charge, just like al fresco restaurants do when they take over part of the footpath."

Let's say you've had enough of this abuse of common land, so you decide to de-stress down the beach. It's a hot day and the beach is packed, but there's still enough room to splash around. The waves are good, and there's plenty of surfers hitting the curls – no problem here, as we're all entitled to use common land for free. But suddenly a dozen vans pull up in the car park, disgorging a horde of Pommy backpackers, all keen to learn to surf. It's a commercial outfit which supplies boards and instructors, and suddenly the beach is overcrowded with novices and their instructors. The manager dismisses objections by claiming the beach is public land.

These are very evident illustrations of how common land can be hogged and its amenities ruined by those who seek to use it for their own advantage. What if someone pitched a tent in the botanical gardens, claiming that parks are free for all to use? What if some misguided local councillor pulled up all the parking meters in his jurisdiction, claiming that anyone should be able to park their cars where they like on "public land"? What if retailers decided to avoid purchasing or renting expensive real estate by instead peddling their wares on the streets, thereby undercutting shops and maybe even having the cheek to place their cheaper products on the pavement right outside the entrance to their competitors' shops? It's all public land, isn't it, Richard?

But what if common land has had special improvements made to it – should we still be able to use it for free? Museums sit on common land – should all museums and galleries be free, no matter if some expensive special exhibition is on show? Have I the right to demand free use of my municipal golf course or tennis courts on the basis that they're common land? Poor Richard has got himself in a terrible muddle about the most expensive of improvements on "public land" namely, tollways, but we'll pick up on this when we work through what he's written. Let's re-examine his claims.

NOTE 1 Privatisation, per se, isn't the problem – it's privatisation *without paying the LVT* that's the problem. All sorts of natural resources (including land, of course) are privatised – what *is* crucial is for the full rent of those natural resources to be retained by the community, not by private hands. But, to prevent rack-renting, geoists insist that no natural monopoly should ever be privatised, so roads and railways should never be privatised.

NOTE 2 In contrast to Richard, geoists do not consider it to be a "natural right" to be able to use hugely-expensive infrastructure (such as motorways) in peak hour for free.

NOTE 3 Parking fees only apply where parking space is scarce and highly in demand, and represent a form of LVT for the exclusive use of valuable land. Beach fees would not be applicable in Australia, as there does not exist the necessary scarcity to ration over-demanded space and, in any case, the costs of collecting any beach fees would make these impractical. Park fees have never, to my knowledge, been advocated by any geoist (for reasons too lengthy to mention here). Road tolls in congested peak hours on highly expensive infrastructure are simply another variation of LVT.

NOTE 4 Richard's requirement of "exclusive title" for the collection of LVT is unnecessary, unsound and unfounded. Rather, the rationale for LVT is we frown upon those whom we take to be monopolising it. For example, we are wont to ask 'road hogs' "Do you think you own the road?"**NOTE 16**

To say that when we use common land we assert an *exclusive* use of it is a contradiction in terms.**NOTE 17** Surely common land is land to which we do not claim exclusive use. That is why it is called common land. The mere *physical* fact of being on common land is said to amount to the assertion of exclusive use. It is not. It is the exercise of a natural right.

Using Common Land the Wrong Way

Charging for public space is virtually the same as putting it up for sale or lease.**NOTE 18** If one paid enough doubtless one could obtain permanent and exclusive use of a parking space, road, a park, or even a beach. In other words, charging for public space would allow some to exert a more than equal right to use it.**NOTE 19**

George in comparing the use of common land to the use of a club does not talk of charging for its use. Nor does he say that the whole club or any part of it can be sold off to the highest bidder.

What are toll roads other than common land sold off to monopolists and used to extort money from the travelling public?**NOTE 20** Try telling those who pay these tolls that their rights are fully protected or compensated for since the toll-road owner has paid a lot to obtain his 30 or 40 year monopoly!

Some say that land value taxation should be used wherever land is valuable.**NOTE 21** They say that common land is valuable and, thus, it must be taxed. Common land is useful. But it would only have a monetary value if one person's use of it prevented others from using it – and that does not happen. No one wants a whole road or footpath to themselves.**NOTE 22** They do not need it. All they need is a right of way on it, and that is exactly what our conventions in using common land give them.

the exclusive use (whether for a shorter or longer period) of valuable land, practicalities (such a compliance costs) permitting.

NOTE 5 *ALL* land is ultimately owned by the public! Land titles are necessary for security of tenure, but any freehold titles are conditional upon regular rents paid to the state, forming the natural source of public finance.

NOTE 6 Be extremely wary of impenetrable (confused and confusing) language such as this, dear reader. If you can't make head nor tail of these statements, it's not your fault!

NOTE 7 What on earth do these claims of natural rights amount to, except for some attempt to appeal on an emotive level? The issue is not that there should be a right to use land, but that any user of valuable land reimburse society (in the form of LVT or related rents) for their exclusive use of the Common Wealth.

NOTE 8 "Common land" is not a clear cut term for, as we're starting to see, there's all sorts of *degrees* between 100% private and 100% common land. A valuable metered parking space might be on public land but, when a car has been sitting over it for a few hours, it has temporarily acquired the status of private land by virtue of metered fee.

NOTE 9 No, it's the exact opposite! Any charge in these circumstances makes those who utilise a disproportionate quantum of land value reimburse those who use less (and sometimes the reimbursed use less because they are displaced by the land users). So, rather than *destroying* equal rights, LVT *equalises* our rights to land through this compensatory mechanism.

NOTE 10 No, you've misunderstood the purpose, Richard, which is:

- Justice, by aiming to equalising the value of land use
- Encouraging optimal use of a scarce and valuable resource, as "free" access invariably leads to sub-optimal usage (or downright wastage)

NOTE 11 No, *ordinary* use of common land is a birthright, but *extraordinary* use should generally attract a charge. Similarly, breathing air should never be subject to any charge – we all pretty much breathe the same amount. But anyone who wants to use air for commercial purposes and thereby deplete the value of the air by polluting it should pay a natural resource charge.

NOTE 12 A better analogy would be how there are extra membership fees for greater access to club facilities (e.g. full members of a golf club pay more than provisional, non-playing or weekday-only members). And a member couldn't bring in his sleeping bag and crash in the loungeroom, nor could he hog the snooker table all day. A good way of rationing the club's highly-demanded snooker table would be to have a coin-operated light over the table in peak hours, so that only serious users would use the table (no wastage) and contribute revenue to the club (effectively reimbursing those members whose fees paid for a table they never use).

NOTE 13 If only the commercial world, where shareholders' returns must be maximised, resembled this "gentlemen's club"!

NOTE 14 Well, you can assert and assert and assert until you're blue in the face, Richard, but that won't transform those who will hog the best public land on a first-come, first-grab basis. LVT will ensure that those who will make best use of such land will get it, and those who don't get it will be effectively reimbursed.

NOTE 15 Huh?

What is valuable on common land is not the land but the presence and the activities of the people on it.**NOTE 23** It is only through that presence and those activities that adjacent land has value.**NOTE 24** If charges were levied to use it people would be discouraged from using it,**NOTE 25** the land adjacent to it would be less productive, and the rents on it would be less.**NOTE 26**

Henry George argued that tramways should be free since that would encourage people to use them.**NOTE 27** That would add to the productiveness of the streets and, thus, add to the rents of the adjacent land. Just as free lifts added to the rents of offices in a building, so free tramways added to the rents of streets. The cost of free tramways (like the cost of the lift) was absorbed by the addition to land values that they produced.**NOTE 28**

In other words, land value taxation works best when common land remains free to use. Having established that we have a natural right **NOTE 29** to use common land, and having established that land values taxation works best when common land is free, there is really no need to go further. However, it should be noted that anyone who persists in trying to contrive 'rents' upon common land can only invent multitudinous taxes and taxpayers, contrary to the whole idea of 'the single tax'.**NOTE 30**

Not only this any government that attempted to obtain rents from parks, beaches, and roads would probably find it advised to privatise them.**NOTE 31** In that way a market would be created. But, then, common land would have entirely disappeared still leaving monopolies!

NOTE 16 By plonking his car over a parking spot or driving along a road, a driver has effectively claimed temporary possession of that land and might as well own it! For practical purposes, he doesn't need to legally own it as he can stay there for ever and ever and no-one can budge him – unless we use parking or toll fees to bring some common sense to this state of affairs.

NOTE 17 When we use common land we *indeed* have an *exclusive* use of it merely because we live in the physical dimension and gravity keeps us on the Earth. Wherever I stand or move, no-one else can simultaneously occupy – unless someone is being piggy-backed. Maybe Richard's talking about his astral body, which can interpenetrate physical objects and can't exclusively occupy a space. But meanwhile, but on the physical plane .....

NOTE 18 To equate selling land with leasing out land is a cardinal sin – there's a world of difference to any geoist. In simple terms, it's plain wrong to own land.

NOTE 19 This does not follow.

NOTE 20 Once again, toll roads – just like land – should never fall into private hands because of the monopolistic power that can be wielded. You again misrepresent the geoist case, Richard.

NOTE 21 No, LVT should be used where the value of land use is *unequally* allocated amongst users. Everyone should be free to walk on the footpath, but if someone sets up a fruit stall on the footpath they should have to pay LVT.

NOTE 22 But a car parked on a city street or driving along a motorway in peak hour has exclusive use of a *portion* of such public land and, as such, is preventing someone else from using that space (whether stationary or moving along the motorway).

NOTE 23 Oftentimes it's the other way around, Richard. A freeway is more valuable to a user when there's a *lesser* presence of people on it (and less congestion). Similarly, when streets, beaches and public amenities are crowded they are usually less desirable.

NOTE 24 Whether this is the case or not, the important point is that the land *is* valuable and is limited in supply. When there's not enough high value land to go around equitably, rather than having the lucky winners and unlucky losers, LVT aims to take a fee from the land occupiers and compensate those who don't have access to that land (at least, don't have access to it during the period when it's highly desirable). Your system, Richard, is a great way to run a casino, but not a society.

NOTE 25 If charges were levied, the land would be put to its optimum use by those prepared to pay the LVT, resulting in an efficient use of scarce resources. In fact, with less road congestion on motorways, some new drivers might then use it and be prepared to pay an even higher fee as it's even more desirable because less congested.

NOTE 26 You must distinguish between a geoist and non-geoist society, Richard. In a non-geoist society, the collection of toll fees would mean landowners wouldn't receive a windfall profit from the nearby provision of publicly-financed infrastructure. In a geoist society, anyone whose land is negatively affected would be perfectly compensated because their rental dues to society would be correspondingly reduced.

NOTE 27 Putting aside your resort to the authority of HG, Richard, it's a rather unrefined view on public transport pricing. While off-peak travel should in many cases be free, peak-hour travel should always attract some charge (albeit much less than charged today in Australia).

Conclusion

That brings us to the whole point of this exercise. Under the cover of free trade and claims about congestion and the over-use of resources, there is a powerful trend towards the enclosure of remaining common land.**NOTE 32** Highways and public utilities of all kinds are progressively privatised and monopolised. This trend has still a long way to go but now appears to be unstoppable.

The fact that it looks like a 'winner' of course attracted other movements that can see advantages in it for themselves. The environmental movement is attracted to user-pays charges for natural resources. 'Geoists', those who sought to associate the Georgist movement with environmentalism, have now chimed in,

portraying these user-pays charges as rents.**NOTE 33**

Congestion charges, road tolls, parking fees, and beach fees are *not* rents; they are flat rate taxes **NOTE 34** which lead to the enclosure of common land, discourage the use of common land, infringe privacy, and exacerbate inconvenience and stress.

Georgists are equipped to point out what is wrong with this trend. Our duty is to resist it. If, instead, we support this trend we assist those vested interests that see profit in the monopolisation of common lands and public utilities. And we are helping to create a more unequal and less prosperous society. In effect, we are applying land value taxation in a way that defeats its whole object.**NOTE 35**

NOTE 28 This is a false analogy as the world can't be likened to a building, as there's hoards of people living *outside* the building whose taxes are paying for the benefits received by elevator users. To give one set of citizens (inside the building) privileged access to valuable infrastructure while others (outside the building) miss out is patently unfair. But once LVT is introduced, unequal access is made equitable.

NOTE 29 Be careful with such loaded terms such as "natural rights", and remember that with any right there's usually a responsibility. In this case, the right to use land comes bundled with the responsibility to compensate those who've been excluded from that land.

NOTE 30 The "Single Tax" (charging rents only for the use of land, and not for any other natural resources) is a selective and illogical muddle. Rather, we must apply a natural resource charge on each and every natural resource where scarcity exists, where some are getting more than their fair share, where collection costs are practical, and where the Global Commons is being diminished by such usage.

NOTE 31 Puh-lease! - no more misrepresentation! We're dead against such privatisation.

NOTE 32 Eh? Free trade has nothing to do with this matter. And there's *already* enclosure of much common land – the point is that the beneficiaries should pay the full price for it. The imposition of LVT is often enough to free up common land. Look at all the 99-year leases granted to outback pastoralists – it's only because they were given the leases for a song that they occupied what was previously crown land. Now they can totally bugger up the land with hard-hoofed cattle and walk away from the mess they've created without paying for it. Full natural resource rentals (imposed on any destruction to habitat, effect on climate change, soil erosion etc.) would have left much of Australia as it should be – common land.

NOTE 33 Geoists are indeed the natural allies of environmentalists, as we can provide the solution to the careful use of natural resources (water, air, climatic stability, biodiversity, forests & fisheries etc.). At the same time, the natural resource rentals that ensure that natural resources are used sparingly (True Cost Economics) also provide the natural source of public finance and the phasing out of the legalised robbery that is taxation of labour and exchange.

NOTE 34 This completely-uninformed accusation is way off the mark, as such fees are by no means a flat rate because they vary according to:

- the location (more expensive for more desirable locations)
- the value of any infrastructure provided
- on a tollway, the distance travelled
- on a tollway, the type of vehicle (truck, bus, trailer etc.)
- if a tollway fee or congestion charge, the time of day (peak-hour or off-peak)

NOTE 35 We started off by discussing whether common land should be subject to LVT and have ended up by seeing how this term is an illusion. *All* land ultimately belongs to us all! Nobody created land – it's Nature gift to us all, our birthright! But, by virtue of being physical beings largely being held by gravity on a two-dimension surface, we all need to occupy land for ourselves in varying degrees. Any exclusive occupancy of the Global Commons requires us, by rights, to reimburse the rest of society. Richard's fundamental error is to arbitrarily divide up land into public and private land, whereas there lies a whole continuum between long-term leases of land (such as freehold titles over building sites) and shorter-term uses (such as parking in the city or driving on expensive tollways). Or, put another way, all humans – for reasons of convenience and practicality – are entitled to a cost-free "base usage" of land not subject to private use or lease, such as footpaths, gardens, roads, parking lots, shopping areas etc. However, once a person's use of such basic rights becomes a commercial "abuse" or a significantly more valuable personal use of common land, we must account for how other people have been disadvantaged. We do this by effectively compensating the excluded, through a variation of LVT. This has the added virtue of encouraging this land to be put to its optimum use (by those who are prepared to pay to use it), and to reduce congestion. This is really a restatement of the very basics of geoist/Georgist philosophy, but our friend Richard has become hopelessly entangled in his own rhetoric.

ProsperAustralia
THIS LAND IS YOUR LAND

Hey you!

Into drawing and design? Get creative and win up to $400 in EarthSharing Australia's Logo Design Competition

EarthSharing Australia, an organization based here in Melbourne, is running a competition for a new design of its EarthSharing logo.

Based on the simple fact that our natural resources, such as land, should not be squandered but instead form the basis of our economic equation, EarthSharing Australia's principles seek to improve our society environmentally and socioeconomically while developing a fairer system for all people and generations. The purpose of the competition is to give EarthSharing Australia a fresh new look and develop greater awareness of our organisation.

Entry is open to all ages and occupations.

This is a great opportunity for your design to gain wide exposure throughout Melbourne, as well as nationally and internationally. The winning design will be used on EarthSharing Australia's website and other publications like information pamphlets, magazines and posters.

Entries will be judged by EarthSharing Australia members and competition co-ordinators.

Prizes will be:

- 1st prize $400
- 2nd prize $200
- 3rd prize $100

There are no restrictions to the design; be as creative as you can!

To get a better feel for what EarthSharing Australia signifies, we suggest you take a look at these websites: www.earthsharing.org.au and www.prosper.org.au or even call in to the office, 1st Floor, Henry George House, 27 Hardware lane, Melbourne.

Entry forms and terms and conditions can be downloaded here in Word format – just go to either the EarthSharing or Prosper website and follow the links.

Please note that the **deadline** for all entries is **April 30th**.
Enquiries: Mia Stewart, competition coordinator.
Ph: 9670 2754 or 0411 058 526

"**Terra Incognita: A Fresh Look at Tax Reform**", will be a slideshow given by Bryan Kavanagh of the Land Values Research Group at **7.30 pm Friday 18 March** at Hardware Lane. It consists of a voyage through space and time to re-discover land providing startling historical research by Thorold Rogers, Richard Cobden, Nikolai Kondratieff and Henry George, before introducing current research work leading to the inescapable conclusion that the time is ripe to re-discover land. With an aging population, a diminishing workforce, and many imponderables, a natural growth fund available for government revenue awaits discovery."

All welcome. No charge. Light refreshments provided.

OBITUARIES

EDGAR FRANCIS HEYWOOD (1922 – 2004)

Ed was truly a gentleman and a fine, sensible, thoughtful and friendly man. A number of us attended his funeral a little over a month ago and there learnt from his brother, John, that they were both brought up on a dairy farm in Warrnambool . Ed, from a small child had an inquiring mind and according to John got the brains of the family. John also said that Ed was very impressed by a book "On Liberty" by John Stuart Mill copies of which he gave away to various people.

He won a scholarship to Melbourne University where he did a Bachelor of Science in chemistry. I am not sure of his employment record but in latter years, before retirement, he was a lecturer at RMIT.

Ed had been a supporter of The Henry George League since 1954 and when he retired he joined in 1987 and became a very active member. He spent a lot of time at Hardware Lane carrying out all sorts of useful tasks. He worked long and hard for the Georgist Council for Rating Reform and was the Georgist representative at the Municipal Association, where he was well received on the couple of occasions I attended with him.

His biggest project was running and organizing the International Union for Land Value Taxation and Free Trade Conference in Melbourne in 1993, which was widely considered to be a great success. He also spent considerable effort writing a paper on the proposed "very fast train" could be financed by collecting the windfall benefits which would accrue to certain landowners.

He was a true Georgist, a gentle man, and is sorely missed.
– Bruce Every

****ooOOoo****

We regret to report the death of **DOROTHY DAVIES** of Mornington, Vic., in mid December. Dorothy came into the movement through Mary Hutchinson, became a very enthusiastic Georgist, and though geographically isolated from others, maintained a Georgist activity through adult education classes and other ways in her locality as well as keeping in regular contact by telephone and correspondence with her fellow Georgists elsewhere. She attended the meetings of the women's group in the 80s and arranged meetings for Mornington ratepayers to be addressed by Len Brown and others to promote site value rating. Her challenging enthusiasm will be greatly missed.
- Geoff Forster

****ooOOoo****

LINDSAY H EATTS

Friend and mentor to many, regardless of race, creed or colour. Lindsay died in Kimba Hospital on November 11 2004. Lindsay married Molly in 1954. His passionate belief in social justice came from his understanding of the theory of taxation proposed by the great philosopher Henry George whose teaching had always been part of the life of the Eatts family.. He was a life long member of the Kimba Site Rent League. He was also a supporter of the Proportional Representation Society. His wife Molly will carry on her love of Henry George as she did during Lindsay's life. To her and her children, Kate and Joan and grandchildren we extend our deep sympathy.
- Betsy Harris

OH NO! - NOT ANOTHER BLOODY TAX?

It must be a thankless task being Chancellor of the Exchequer. Every man, woman and their dog gives advice on taxation to the person holding the hottest seat in Government. Every pub in the land has an "expert" who knows better than the Chancellor how to run the economy. Usually this advice is just a mask for special pleading.

Everybody seems ungrateful and ignore your successes: you have master-minded a relatively stable economy, provided much extra finance for schools and hospitals and also begun to address the problems of child poverty. And yet suppose there is one gem among the hundreds of ideas being put forward? - a much more fair, equitable and effective new tax - wouldn't that be worth looking at? After all, it's clear that Western economies are not perfect.

LVT is impossible to avoid – land can not be taken to Jersey in a suitcase

We see the difficulties all countries face; even "successful" economies like Germany, Japan and the US.
We know:

- poverty exists where the state has rigid control of the economy, but also where private markets rule;
- expensive housing land makes it impossible for many young families to afford a home even if they are on above-average incomes;
- Many house buyers are forced to commute long distances, which not only affects and costs individual families but also society;

When he's not hob-nobbing with royalty, **Dave Wetzel** is vice-chair of London Transport & Chair of the Labour Land Campaign, and one of the world's most active and effective geoist campaigners.

- high land prices lead to unnecessary higher costs for premises, together with Stamp Duty, an obvious restraint on business expansion.
- equity release by houseowners leads to higher inflation with damaging higher interest rates as the only measure of control;
- the north/south divide is not sustainable;
- unemployment is divisive;
- high property costs contribute to jobs being exported.
- the countryside suffers urban sprawl, while valuable sites for homes, jobs or leisure lie empty in towns;
- much needed public transport infrastructure is underfunded causing traffic chaos, road accidents, pollution and unnecessary additional costs for both business and personal travellers;
- the property/business cycle disrupts economies.

We have a duty to find a better way of conducting our economic affairs that not only addresses these problems but encourages business, protects the environment, assists the developing world and contributes to social justice - a tall order for any single reform!

To produce goods and services, it is necessary for Labour, using Capital, to

Attempts to impose land redistribution will always fail. They only create a new class of landowner

be applied to Natural Resources. For the benefit of clarity, I'll repeat this important point:

LABOUR, using CAPITAL, is applied to NATURAL RESOURCES.

Look around you now: are there any goods that you can see which are not a consequence of these three factors of production? Even a clothes prop cut from a tree, requires a knife (capital), the tree and the land it grows on (natural resource) and human endeavour to plan the activity, cut the branch and carry it home (labour). In the same way, the most modern car, computer, items in the supermarket and even the knife we used above, have all been created from labour, capital and natural resources.

The return to labour is wages. The return to capital is profit or interest. The return to natural resources is economic rent.

Economic rent will increase as demand for the use of natural resources grows. The key drivers for this increase are population growth, greater economic activity, improved transport and communications, improved services, innovations, neighbourhood attractiveness and market sentiment.

Obviously workers earn their wages. Without workers there would be no labour. Savers receive interest. Without savers there would be no capital. But what do landowners provide to deserve economic rent? Without landowners the land and natural resources would still be available.

Few would dispute that workers earn the product of labour. Savers risking their investments are similarly entitled to a reasonable return. However, to whom should we pay for the use of land and natural resources?

Land and natural resources have all existed since the planet was first formed and no amount of human effort or ingenuity has created them. (Even land drainage or reclamation requires labour and capital applied to natural resources). Justice demands that the benefit arising from natural resources should be shared by all. But how could this be accomplished with fairness and without destroying the incentive to work and invest?

Attempts to impose land redistribution will always fail. They only create a new class of landowner and continue to exclude landless citizens from enjoying the benefits to which all are entitled. Land Value Tax (LVT) on economic rent, is the only fair way to ensure that we all share Nature's bounty.

Most economists agree that taxing economic rent can not be passed on, has the least disruptive effect on the economy and leads to lower land prices. Landowners of empty urban sites pay no rates or taxes on their land. Site values grow as the result of community activity - new roads, transport, buildings, better policing, improved services, shops and offices.

Why should the community not be repaid for the benefit they create for the landowner? LVT would ensure that everybody has a share in the land wealth they create and which otherwise ends up as landowners' unearned income. With LVT, all land (including empty sites) is valued and a tax rate applied. Like Business Rates, but only on the land value, not the buildings. (Why penalise, with higher rates, people who improve their buildings; but reward others with lower rates, if to the annoyance of neighbours, they let their buildings fall into disrepair?) The valuation would be based on the optimum, permitted use of each site.

Thus, LVT offers a "land efficiency bonus", calculated by Ron Banks as a staggering £15,000 per head, population

Parks freely available to all would pay no LVT.

LVT brings idle land in towns and cities into use. This reduces costly urban sprawl. The extra supply of land reduces land prices and accommodation costs for homes and business premises.

Why should the community not be repaid for the benefit they create for the landowner?

LVT is impossible to avoid – land can not be taken to Jersey in a suitcase. Consequently LVT is cheap to collect. Not only does LVT require fewer tax collectors but also fewer lawyers and accountants employed in the private sector to discover tax dodges. The cost of this tax avoidance and evasion industry falls both on other taxpayers and on consumers.

Countries like Denmark, Hong Kong and Taiwan utilise land values to help their economies. Towns in parts of Australia, South Africa, New Zealand and North America have adopted local forms of LVT. Alaskan oil wealth pays every citizen a dividend. Over the past 20 years, Harrisburg in Pennsylvania has enjoyed greater prosperity by switching a small local tax from buildings to land.

Three years ago, Gordon Brown allocated the radio spectrum for 3G mobile phone networks (a natural resource); he could have given the rights free to the Duke of Westminster. He could have sold the "freehold" ownership. However, he rightly introduced a form of LVT; he auctioned these licences for 20 years for a massive £22.4bn and in 17 years time the process can be repeated.

There are currently calls for development or planning gain taxes, which do not share the advantages of LVT and must be resisted because:

1. If you tax an event, (eg development) then avoiding the event avoids the tax. Previous development land taxes (1947 Attlee, 1967 Wilson and 1976 Callaghan) all failed because they froze the land market, reduced supply and hence raised land prices. They benefited landowners at the expense of the rest of the community.
2. Why only tax development land? This forms less than 5% of all land.
3. Why accept a one-off payment when LVT can provide annual revenues?
4. Why lose out on future increases in land values created by the activities of future generations?

Whereas other taxes damage the economy, studies by Dr Rana Roy and Ron Banks have shown that taxing land can help the economy grow more efficiently. If you charge for a scarce resource (like land or road space), then the resource gets used more efficiently. With reduced profits from land speculation, investment would divert into expanding businesses, creating more jobs and greater productivity. Thus, LVT offers a "land efficiency bonus", calculated by Ron Banks as a staggering £15,000 per head, population.

With LVT income, and the "land efficiency bonus", the Government could provide new public transport infrastructure, abolish economically damaging property taxes like Council Tax, business rates and Stamp Duty, raise the personal allowance on income tax so that millions of lower paid workers pay no income tax at all, reduce VAT rates to help consumers and businesses and even copy Alaska's dividend for every citizen.

In this article I am suggesting a new tax policy which would provide incentives and release the creative efforts of business. It would improve earned incomes; cut the cost of tax collection; provide affordable homes; reduce the costs of urban sprawl; generally improve economic efficiency; avoid property-led business booms and slumps and make redundant, the disruptive tool of ever-changing interest rates to control land prices and the inflationary results of equity release.

To facilitate the adoption of LVT, a tax-free allowance could be introduced for the first tranche of rental value, (similar to personal allowances for income tax) and for those on low incomes, payments deferred until the land is eventually sold. ■

JAPAN

NO LAND LESSONS LEARNED

Ed Dodson reports on speculation that there'll be an end to the 1989-2004 land market recession in Tokyo.

The Wall Street Journal reports (12/1/05) that real estate investors are competing for and bidding up prices on "choice properties" in Tokyo and in other major Japanese cities. The Journal almost off-handedly mentions the fact that "the epic 1990s slide in land prices ... helped trigger Japan's long economic slump" but does not add the additional observation that the upward climb in prices -- fuelled by bank and insurance company credit -- stressed the economy to the point that land could not be profitably developed, so that Japanese producers had to leave in droves in order to survive. Now, once again, cheap credit is fuelling the upward climb.

Just as occurred in the U.S. during the savings and loan crisis of the late 1980s, a huge number of real estate buildings and uncompleted projects were acquired by lenders after borrowers defaulted. The lenders put these properties onto the market at fire-sale prices. Even so, it has taken a very long time for this inventory of excess real estate to find occupants. "Only the priciest properties in Tokyo" have experienced increases, however.

A Tokyo condominium developer is quoted as follows: "We are experiencing situations where land comes on the market and 30 or 40 companies swarm to bid for it. Land targeted for condominium development has increased in price by 20% over the past year. Yet other land prices in Japan continue to remain low by recent standards and some continue to fall.

Have Japanese policymakers learned any fundamental lessons from the land market collapse? I rather doubt it, and further doubt that any measures have been put into place to keep the lid on the market lurching into another disastrous cycle.

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BRITAIN

GREENS CALL FOR LVT

While a Green Minister in the European Parliament has pointed out that for affordable housing and environmental protection, the best policy is a Land Value Tax, the British government, instead, has put forward a proposal that would worsen sprawl. Here is part of a Green news release from January 25, 2005:

SCHEME WILL FAIL HOMELESS, FIRST-TIME BUYERS AND THE ENVIRONMENT

Proposals to tackle the South-East housing crisis unveiled yesterday by Deputy Prime Minister John Prescott will fail the homeless, first-time buyers and the region's environment, Green Euro-MP Caroline Lucas has warned.

"The government has prioritized the interests of the construction industry over the needs of the region by announcing plans for large-scale private construction which will effectively concrete over the South-East," said Dr. Lucas, South-East England's Green Party MEP and a member of the European Parliament's Environment Committee.

Growing disparity between housing demand in the South-East and other UK regions should be tackled by a robust regional policy aimed at rebalancing economic activity across the country. Existing but empty homes should be brought back into use by implementing an effective empty homes policy, including scrapping Council Tax in favour of a Land Value Tax.

"These Green Party proposals would take the pressure off the South- East's housing market almost overnight, and benefit first-time buyers and those without access to secure affordable housing rather than the construction industry and property speculators," added Dr. Lucas.

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MEXICO

FIGHT AGAINST WATER PRIVATISATION

Natural monopolies should never fall into private hands, and when they involve the monopolisation of something essential for life, it's all the more important. Yet the privatization of water systems in Mexico has become a top priority for the National Water Commission (CNA or ConAgua), following the lead of the World Bank. CNA is trying to induce other water systems to adopt a joint venture scheme claiming that local companies are unable to administer their systems efficiently, and the lack of capital to finance the needed investments to modernize and extend existing infrastructure. Of course, the ready source of finance is waiting to be rediscovered – investment could be financed by LVT, rather than letting landowners enjoy massive increases to the value of their land courtesy of tax-funded infrastructure.

As it has happened in other countries, the experience with private companies in Mexico has not been positive. In general, water costs have increased, the service to users that are not able to pay is cut, and economic considerations prevail above water preservation and environmental sustainability. Citizens' groups are being mobilised to fight these proposals.

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THE NETHERLANDS

PISTOL'S A ROBBER'S BUSINESS EXPENSE!

What further evidence do we need of the tangled and nonsensical web that is our current tax system? A Dutch court in The Hague has allowed a bank robber to claim the A$3400 cost of the pistol used in the hold-up as a legitimate business expense. The 46-year-old bank robber was permitted to set the cost of the gun against his gross proceeds of A$11,450, gained during his raid on a bank in the southern town of Chaam. The judge at Breda criminal court duly reduced his fine by the same amount, in addition sentencing him to four years' jail. A Dutch prosecutors' service spokesman said the judge had followed sound legal precedents on the confiscation of criminal assets.

The spokesman, Leendert De Lange, said: "You can compare criminal acts to normal business activities, where you must invest to make profits, and thus you have costs."

Thus, drug dealers would be within their rights to claim the cost of a car used to ferry those drugs around, he said.

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U.S.A.

SPLIT-RATE LAND TAX INTRODUCED

So-called split-rate land tax is a progressive shift to LVT, which moves tax off buildings and improvements and onto land. That land is “weighted” more than buildings rather than completely replacing tax on buildings is, of course, regrettable, but it’s a start.

There will be three bills that will permit higher taxation of land for the state of Maryland. The primary sponsor is Delegate Michael Gordon, a courageous advocate of land taxation and sound fiscal policy since 1994. Also supporting is Delegate Clarence Davis, the dean of the Baltimore City Delegation who read Progress and Poverty many years ago, and still teaches it to his students.

Over in Oregon, thanks to the efforts of “Mr. Geonomics”, Jeff Smith, similar split-rate legislation has just been passed in the Oregon Legislative Assembly.

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IRELAND

WINDFALL FOR IDLE FARMERS

What’s the most disastrous fiscal policy any government can follow? It’s the exact opposite of natural resource charges – agricultural subsidies.

Almost 3,000 Irish farmers will receive more than €40,000 a year each from the EU under the new single farm payment system - which no longer requires them to produce anything in return. The new system comes into effect next month. Under its terms, 490 farmers will receive over €80,000 each year; 595 will get between €60,000 and €80,000; and 1,886 will get between €40,000 and €60,000.

The vast majority of farmers - almost 100,000 - will get less than €10,000 a year, another 28,015 will get between €10,000 and €25,000, and 5,943 will get between €25,000 and €40,000. The new payments will be made under the reformed Common Agriculture Policy, which ends the link between subsidies and production. The revised CAP means farmers can grow whatever they like on their land - or nothing at all - as long as it is kept in "good environmental and agricultural condition". The breakdown of payments is based on 135,000 provisional statements of entitlements which have been sent to farmers to show what they can expect. The payments are based on the average level of subsidies farmers received each year between 2000 and 2002, but are no longer tied to livestock numbers or crop acreage as in the past.

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WORLD

MANAGING RESOURCE REVENUES

In a rare positive initiative, the IMF has just posted its *Draft Guide on Resource Revenue Transparency* on its website. The guide seeks to help countries better manage revenues from extractive industries such as oil, natural gas, and mining. It also underscores that institutional strengthening and improved transparency can provide significant benefits to governments and taxpayers. A higher level of fiscal transparency promotes more informed public debate and helps achieve sounder fiscal policies.

It’s a very readable and interesting piece of work and definitely worth a squiz:

www.imf.org/external/np/fad/2004/grrt/eng/index.htm

Ω

TAIWAN

DODGY POLLIES EXPOSED

The Pan-Purple Alliance, a private group dedicated to promoting fair and just social welfare services and speaking for the underprivileged, unveiled a list of lawmakers yesterday who it claims support tax cuts for the rich. The Alliance is strongly in favour of land value increment tax, a partial geoist tax, for reasons of justice and practicality (it’s almost impossible to evade).

Chien Hsi-chieh, convener of the alliance, joined with the chief executives of several other like-minded social groups in unveiling the list at a news conference dubbed "Beware! Look Who Is Undermining Our National Finances."

Over the past 10 years, Chien said, the nation's financial status has continued to worsen, with the ratio of tax revenues to gross domestic product declining from 18.6 percent to 12.3 percent. As the tax revenues have decreased by NT$700 billion over the past decade, Chien said, the government has had to sell its land holdings and stocks, as well as float state bonds, to make ends meet.

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PANAMA

BIG LAND GRAB

As long as we don’t have geoist sanity, there’ll be the irresistible temptation to profit from land and natural resources. One such example is Panama City’s beautiful Canal Zone, a green area and envy of the world, where people can see coatis and armadillos in their gardens plus toucans and parrots routinely flying overhead. However, the matrix of public urban forests in the canal area that these animals inhabit is under threat by property developers who have already been sold land by state authorities. The reality is that these forests play an important biological role and contain a huge wealth of biodiversity. Each day more Panamanians, who feel cheated over this "under the table" privatisation of public assets, are joining the protest. However, in places like Panama, money talks. And we’re talking big money.

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SPAIN

UN HABITAT GETTING THE MESSAGE

Last September in Barcelona at the UN HABITAT Agency "World Urban Forum", our roving geoist envoy, Alanna Hartzok, gave a presentation on land value tax at a session organized by the Land Tenure Section of UN Habitat. Before the session began, the Land Tenure Section Director, Clarissa Augustinus, told Alanna that Tatiana Roskoshnaya, our international geoist president, had thoroughly convinced Clarissa of the importance of LVT and so they agreed to begin to work to develop capacity for LVT implementation training sessions. While the World Urban Forum gave numerous opportunities to connect with urban leaders around the world, this conversation with Clarissa was reckoned to be a pivotal event for our movement. Alanna continues to liaise and develop policies.

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BRITAIN

HOPES FOR FUNDING TRANSPORT

Ed: Dave Wetzel reports from John Prescott's "Sustainable Communities" Conference in Manchester.

I attended as many conference seminars and fringe meetings as possible where I was able to put a question or raise the issue of Land Value Tax and sustainable transport. At yesterday's Plenary Closing Session, Nick Ross (a famous UK broadcaster) chaired a panel which included Tony McNulty, our UK Transport Minister. Nick Ross asked him if he had considered any new, innovative ways of funding transport?

The Minister replied, "I don't know if Dave Wetzel is still here but we are looking at his proposals for a Land Tax!". He also went on about other funding mechanisms which he is also considering.

One swallow does not make a summer, and they are much more likely to adopt Kate Barker's Development Land Tax which will be a disaster, but 3 of us from the Labour Land Campaign are going to Her Majesty's Treasury this afternoon to put the LVT case to one of Gordon Brown's closest advisers.

Onya, Dave!

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WORLD

A CLASSIC GOES ONLINE

You've never read Henry George's *"Social Problems"*?!!! Mr. Ed *insists* that you've missed out, big time – it's one of the most powerful and influential books he's ever read, and he wants all the good karma of steering as many unenlightened souls as possible to have their own Road-to-Damascus experience.
Thanks to the Schalkenbach Foundation, you can now read this classic online at www.schalkenbach.org/library/george.henry/spcont.html Prefer the dead tree version? – just drop into Hardware Lane

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VENEZUELA

MORE IDLE LANDS CONFISCATED

Ed: Keep yourself well informed by reading alternative and, very often, geoist news perspectives from The Progress Report - independent news daily at www.progress.org You can arrange to have summary news bulletins emailed to you – all for free! Or start a discussion, ask a question, or settle an argument at The Economic Justice Discussion Room www.progress.org/progs/wwwboard/

Here's one example of a recent Progress Report bulletin about a type of forced land reform being used in Venezuela, based on the unenlightened model of owning land with paying LVT. Such reforms are often violent and, in the end, just result in a different group of landowners. Still, it's better to have a greater number of landowners.

The Venezuelan state of Monagas decreed the expropriation of idle lands in its territory and issued a notice of release against large estates, affecting near 50,000 hectares, 45,000 in private hands.

The decree issued by Governor Jose Gregorio Briceqo said the regulations are effective on all arable lands within large estates in conflict of property or distribution to foment development and food safety in accordance with domestic need. The statement has given an ad hoc high level technical commission 90 days to advise the Governor on land estates, illegal occupation and establishing the legal status of properties.

Monagas becomes the second state to adopt such measures following Cojedes that affected 25 large estates, some of them in the hands of politicians and private businessmen.

President Hugo Chavez stated his public support to the decision adding that the ad hoc commissions will hold talks with the owners to reach an agreement if possible. When President Chanvez took office, 75 per cent of the arable land was designated as private property yet much of the country's farmland remained idle. These idle arable lands will be the target of the new agrarian reform to rid the country from the unjust traditional landowning system.

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BRITAIN

SKY HIGH SPECULATION

Ed: Air corridors and associated airport landing slots are now invaluable parts of the Global Commons which have, tragically, fallen into private hands. Just like land, they're now subject to speculation of astounding dimensions. Dave Wetzel reports:

A recent Observer article published last Sunday confirmed how Qantas have bought 2 slot pairs (take-off and landing) for £20m ! The article also indicates that the major value of British Midland is the Heathrow slots they control. The airline's value is probably about £225m today but IN ADDITION their 85 daily slot pairs at Heathrow are probably worth about £450m!

It is often this value of slots that is exchanged when airlines are bought and sold. A landing or take-off slot is simply permission for an aircraft to occupy a certain space at a certain time.

Obviously, no airline has created time and space. Therefore as Mother Nature has provided this asset, I believe it is wrong to give the wealth from airport slots to airlines on the basis of historical use, but for Governments to auction these slots for the benefit of all citizens. The income could pay for improved public services without increasing taxes on trade or wages.

Modern economics confuses land with capital and, from that point on, things become a shambles. The greatest paradox in economics is why advances in productivity and technology do not benefit the 'average 'person'. Trying to account for this without understanding the role of land is like trying to explain planetary movements while believing that the earth is the centre of the universe. Until government collects the rental from land to use as public revenue we will continue to have involuntary unemployment and poverty.
- Mark Hassed

A CRITIQUE of DEBITS TAX and TURNOVER TAX

Brisbane's **Gavin Putland**, Proz Oz's Communication Officer, dismantles two of the loonier tax proposals somehow getting airplay at the moment

It has been claimed that all Federal taxes, which together amount to more than 25 percent of GDP, could be replaced by a 2 percent turnover tax. How so? Because the low tax rate would be applied many times on the way to the consumer, so that the final price would contain, on average, about 25 percent tax (I say "about" because I am uncertain whether GDP, as measured in those circumstances, would be inclusive or exclusive of indirect tax).

Compare this with the GST, which the promoters of the turnover tax regard as iniquitous, and which makes up only 9.1 percent of final prices of taxable items.

Of course a turnover tax would encourage businesses to avoid taxable transactions, and the reduced number of transactions would require a higher tax rate, which in turn would be a stronger incentive to avoid transactions, and so on. All this avoidance would lead to a final rate much higher than 2 percent.

A broad-based turnover tax would amount to … throwing sand in the wheels of the entire national economy

One method of minimizing transactions is **vertical integration** -- that is, keeping the entire chain of production in-house. This strategy is obviously available only to larger businesses. Some small businesses would be lucky enough to be bought out by their biggest customers or suppliers in pursuit of vertical integration. Others would not be so lucky, and would be crushed by the competition.

But even for big businesses, vertical integration means being jack of all trades and consequently works against economies of scale and economies of specialization, making it harder to compete against foreign counterparts. Moreover, the cascading effect of an Australian turnover tax would inflate prices of Australian exports and import replacements, while competing foreign products would largely or completely escape this effect (yet advocates claim that a turnover tax would force multinationals to pay their fair share!). The tax would also inhibit start-ups, because capital costs and input prices would be inflated by compounded turnover tax.

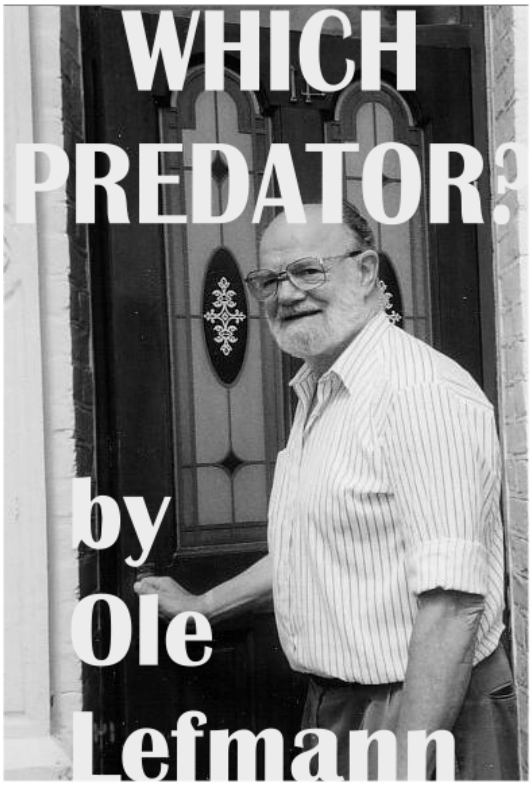
Turnover taxes are not new. They were once used extensively in Europe, but were abandoned in favour of the VAT. The much-maligned stamp duties levied by Australian states are narrow-based turnover taxes. In 1978, the economist James Tobin proposed a tax on foreign exchange transactions as a means of slowing down international capital flows, making it easier for national governments to implement monetary policy. Tobin likened his proposal to "throwing sand in the wheels of international finance". A broad-based turnover tax would amount to an extension of the Tobin tax to every productive transaction across and within Australian borders, throwing sand in the wheels of the entire national economy.

Turnover involves purchases. And if the purchasers keep their money in banks or other financial institutions, purchases mean debits. So a tax on debits captures almost as many transactions as a turnover tax. In addition, it captures transactions of a purely financial nature. Hence it is claimed that for the purpose of replacing all Federal taxes, the required rate would be lower for a debit tax than for a turnover tax; estimates of the required debit tax rate range as low as 0.33%.

To the extent that a debit tax applies to turnover, it is subject to the same objections as a turnover tax, including price inflation, avoidance of transactions and its effect on the tax rate, vertical integration and exclusion of small business, loss of international competitiveness, discouragement of start-ups, and inhibition of commerce. In addition, a debit tax encourages further avoidance techniques such as paying cash, avoiding purely financial transactions, and processing transactions through offshore financial institutions. State debit taxes (known in Australia as **Bank Account Debit** tax or **BAD** tax), are already routinely avoided by hosting one's bank account in a State without the tax. If the entire Federal tax system is reduced to debit tax, it will be avoidable by hosting one's bank account overseas. That may explain why those who promote tax avoidance by challenging the legality of Australia's entire tax system (on the ground that Australia has been independent since the foundation of the League of Nations while its Constitution has allegedly remained colonial) are also among the most vociferous promoters of the debit tax!

Mercifully, neither the turnover tax nor the debit tax has any chance of political success, because those voters who understand the cascading effect know that the real tax rate is much higher than the nominal rate, while those who are too stupid to understand cascading are also too stupid to see how a tax at such a low rate can raise enough revenue.

Hence, when the 2 percent turnover tax (now inaccurately and confusingly described as an "expenditure tax") was championed by John McRobert's Tax Reform Ltd. and adopted in the 1998 Federal election platform of Pauline Hanson's One Nation Ltd, even Hanson's supporters rejected it as wacky. If it had been a debit tax at an even lower rate, they would have thought it even wackier. ■



Thank you to Gavin Putland for his article *Which Robber?* in *Progress* number 1061, May-June 2004. In that he points to the fact that land-monopoly is the ultimate robber who takes from production what is left by all other monopolies. The author also reminds the readers that Henry George discussed this question in Chapter 25 of *Protection or Free Trade.*

The article gave me a clear view on two essential points that many people, even Georgists, seem to ignore:

1. *A monopoly is a Right - protected by the government's physical force - for somebody to take out from the market results of production without giving anything in return to the producers.*

Today's Georgists have to face the fact that the legislators will tolerate a great number of privilege

2.*Non-land-monopolists take their proceeds before the land-monopolists (the ultimate robbers) take what is left for them to take,* which is the same as saying that *non-land-monopolists reduce the rent of land.*

In everyday language an exclusive right for one, or a few, to do something that is prohibited for people in general is called a "privilege", and that is the word I prefer to use in the following. Thus I say:

Non-land-privilege holders reduce the rent of land

The assertion, that rent of land is currently reduced by non-privilege holders, as described by Henry George and emphasized by Gavin Putland, is supported by the figures published by Denmark's statistic office, *Statistic Denmark* (accessible in English and Danish on the Internet website www.statbank.dk):

These statistic figures enable the reader to understand, that **nowadays the Danish rent of land** ("taxes on land" PLUS about 10% of "taxable land values") **is only a fraction** (about 4%) **of the Danish Gross Domestic Product and** (about 8%) **of the "total of taxes and duties" collected in Denmark.**

Unfortunately very few nations have a reliable statistic about the size of rent of land like the Danish, but you may believe that everywhere in the "civilised world" a still growing horde of non-land privilege holders incessantly capture huge amounts from the quantity that the classical economists (in 18th-19th centuries) called Rent of Land. That capturing has accelerated gradually through the past century ***without much awareness paid by Georgists*** who all the time have aimed only on public collection of the residual rent of land left by the non-land privilege holders for the landowners to pick up.

The privilege-profits (the extra profits on top of the prices the privilege holders would have charged had they not had their privileges) *morally belong to the public* ***in the same way, as does the rent of land****; both are created by successful solutions of public tasks, by the synergy caused by the citizens' cooperative activities, and by the protection of the privileges enforced by the society's physical forces.*

Unfortunately no nations register the size of privilege-profits taken away from the market by monopolists and privilege-holders. The only way you may understand something about the size of it is by looking at the size of the residual rent of land, the increase of which should have followed the breathtaking increase in productivity caused by the technological progress. That increase of the rent of land has not

A monopoly is a Right - protected by the government's physical f

happened, it has been sucked up by non-land privilege holders, regular criminals and tax-collectors.

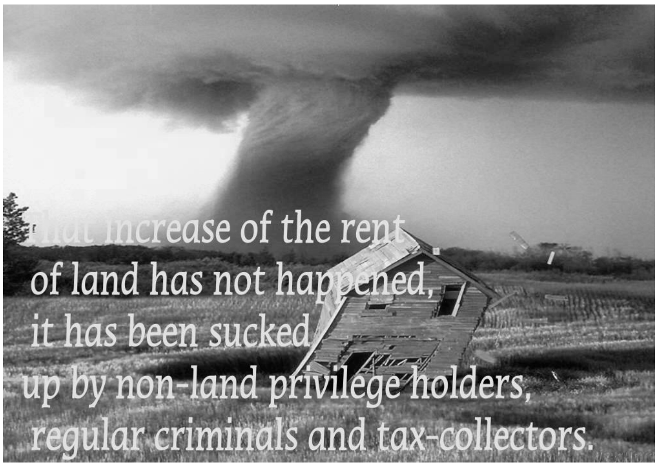
How to reclaim the proceeds taken by holders of Monopolies/Privileges?

George did not tolerate private monopolies/privileges! Against them he proposed ***abolition***, or - concerning those privileges that had to be tolerated - ***socialization***.

At the time of Henry George (the last part of the 19th century) monopolies/privileges were few, and those of them that the society would decide to tolerate could easily be managed by the public without conflicting Henry George's recommendation of a ***public administration as small as possible*** that he proposed in order to avoid or minimize the risk of corruption, ineffectiveness and waste of resources.

Today 118 years after the publication of George's *Protection or Free Trade* (1886) we have to realise that the number and the extend of monopolies/privileges have increased enormously and today they suck up huge parts of what the classical economists and Henry George called "Rent of Land". About the size of the "Rent of land" Henry George wrote (page 406 in *Progress and Poverty* reprinted 1990 by Robert Schalkenbach Foundation):

". . as society develops by the increase of population and the advance of the arts, it becomes greater and greater. In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In better developed countries it is much more than sufficient."



Today's Georgists have to face the fact that the legislators will tolerate a great number of privileges, and therefore Georgists have to decide whether they want to expand the public administration by socialization of all these tolerable privileges (which will conflict with Henry George's recommendation of a public administration as small as possible), or use Henry George's means against the landholders unearned profit (public collection of the annual rent of land) also on the privilege-holders' unearned extra profit (public collection of the annual rent of privileges, which is ***public collection of the unearned privilege profits***).

In his article in *Progress* No. 1061, May-June 2004, Gavin Putland named non-land monopoly/privileges "the lesser robbers" and land monopoly "the great robber".

That choice of wording might give the reader the impression that "the lesser robbers" are inferior and almost innocent; but that is far from the reality. In fact, holders of monopolies and privileges form *a steadily growing crowd of predators* who wildly take their proceeds from what the classical economists called Rent of Land (the third part of the three in which the results of production is divided: Wages, Rewards to investors, and Rent of land to the landowners and other power brokers).

This is the real challenge that Georgists have to face in the beginning of the third millennium - the sooner they do so the better.

Even if the public administration only collects the privilege-profits from the most valuable of privileges, this will increase public income so plentiful that it will make it possible to distribute a huge Citizens' Dividend in equal shares to all citizens who are in fact the rightful recipients of both "the quantity economists of today call rent of land" and the "rent of other privileges"

A grasp of *economic rent* is vital to understanding geoism and the path to social justice and environmental sanity. Short definitions are helpful but limited – the return to privilege; free economic ride of property at society's expense; unearned increment; monopoly gains; the income imputable to natural resources; the share in the wealth produced which the exclusive right to the use of natural capabilities gives the owner; or even the natural source of revenue for the community.

Sydney's **David Smiley** continues his series wherein he fleshes out the meaning of rent through a string of vivid historical examples.

NATURAL RESOURCES RENT.

The star economic performers have been resource-poor countries such as China, Taiwan, and South Korea, with per capita GDP growth consistently around 8 percent per annum. In stark contrast, the resource-rich countries of Latin America, Africa and the Middle East have shown low, sometimes negative growths in per capita GDP. This astonishing fact was examined in the Economist (December 23, 1995). The rent of a natural endowment was defined as the difference between what is actually paid to the producer and the minimum price he would have demanded. The dissipation and wastage of this rent was then defined as competitive rent seeking, with Australia and Brazil added to the list of those that had blown the proceeds of their wealth in this way. So, what is rent seeking? 'Behind the economic jargon is a simple enough proposition: give a group of people a big pot of money and they will argue about how to share it out, not how to invest it in productive growth. '

In countries rich in oil and minerals, that is to say much of Sub-Saharan Africa, and most of North Africa and the Middle-East, windfalls are staggeringly large. So rent seeking corruption spreads across the whole public sector, leading to instability, civil disturbance and, eventually, to neighbourly or even neo-imperial armed intervention, for their own good, of course. The conclusions, offered nine years ago by the Economist, remain valid today: "Next time you hear of a poor country that has suddenly struck oil or discovered diamonds, do not sit back and give thanks that its future is assured. Tremble, rather, for its poor people – for they will be the last to benefit."

WHO SHOULD PAY? - THE DEVELOPERS

From The Age, 26/1/05

The funds coastal municipalities require for infrastructure, resulting from the unprecedented rush to the coast, should come from those who benefit, including speculators and developers. The funds should not come from general revenue raised from state or federal taxpayers. A tax on increased land values would be the fairest source of much of the funds. It would also have the effect of putting a brake on the overheated land market.

David Barkley, Box Hill North

A TAX THAT MAKES SENSE

From both The Stonnington Leader and The Progress Leader, 7/2/05

Publicized complaints about land tax last year should not obscure the fact that in principle land (value) taxation is an appropriate source of revenue, though its implementation is sometimes flawed and unfair. Revenue from land values reflects the advantages associated with the right to exclusive occupancy of a site accessible to community-provided advantages.

Land value taxation should be uniformly applied but accompanied by simultaneous reduction of taxes that deter genuine economic activity, e.g. income tax (with its increasing complexities), consumption taxes (e.g. the GST, deterring spending and hence trade), and payroll tax (a penalty on employment).

Revenue from land values has a very big advantage: simplicity in compliance!

Surely it makes sense to use community created values (i.e. land values) for community purposes, in preference to deterrent taxes depending on individual effort and activity.

Geoff Forster, Canterbury, Vic.

TIME FOR A TAX SUMMIT

From The Australian Financial Review, 14/1/05

Rob Young ("Taxation reform overdue", January 10), like practically all calling for tax reform, concentrates on a cut in high marginal rates. This would just be fiddling with an antiquated system. What is needed is a complete remake of the whole taxation system. The objective should be to arrive at economic and social equity. Production and those who produce should not be penalised but be taxed as lightly as possible, while those who produce nothing but grow wealthier as they sleep should pay their fair share. There would be many benefits in making changes: for example, a tax on increases in land values would provide the funds necessary for the scrapping of payroll tax and other regressive taxes impinging on businesses, allowing exporters and importers to be more competitive. It is time for a tax summit, but it must be genuine, thoroughly investigating alternative sources of revenue.

David Barkley, Box Hill North, Vic.

PLEASE LAND US WITH THIS TAX

From The Australian Financial Review, 13/01/05

Congratulations to Alan Mitchell. It is good to see someone present an authoritative view of taxation. It hurts everyone and we all like to avoid pain. Mitchell writes: "For that reason, it is likely that governments will turn back to one of the oldest forms of revenue raising: the taxation of the unimproved capital value of land." Oh please make this come true. For land tax, as it is crudely called, causes no pain. Who can create this value other than the public at large? Who can hide land? Who can transport it overseas? Land speculators would have their activities curtailed.

David Brooks, Urangan, Qld.

TINKERING NOT THE SOLUTION

From The Australian, 31/12/04

There is much talk of tax reform, but it is generally concentrating on relief from the top rate of 47%. This is just tinkering. What is needed is a complete makeover of the taxation system, with equity as the goal. Production and those who produce should be taxed as lightly as possible, whilst those who produce nothing, but grow wealthier as they sleep, should pay their fair share. For example, a tax on increases in land values would provide the funds necessary for the scrapping of payroll tax, allowing exporters and other businesses to be more competitive.

David Barkley, Box Hill North, Vic.

PRE-POST-EROUS

From The Sydney Morning Herald, 22/1/05

Wrong, Tim Archer (Letters, January 21). If you'd read Peter Martin's article more closely you would have noticed that the previous property busts preceded recessions, not followed them. As Martin stated, each boom lasted two to three years, beginning 1971, 1979 and 1987. The respective recessions occurred at the end of those boom periods (1973, 1982, 1990). The next recession will undoubtedly occur, on cue, when this property boom is over. And I don't need a crystal ball-gazer or real estate agent to tell me that.

Mick Stojcevski, Canterbury, NSW

A fine is a tax for doing wrong.

A tax is a fine for doing well.

BOOK EXCERPT

You’ve not checked out our books on sale at Hardware Lane? Shame on you!

From “True and False Economics”, by Arthur Dowe, p. 105, $12

“At the very best, taxation discourages the production of goods and services, and at the worst causes them to be destroyed. People go to quite fantastic lengths to avoid taxation, even at times resorting to suicide, and this involves great friction, loss and expense in addition to the taxes themselves. And on top of all this must be added the tremendous expense of collecting the taxes and detecting and punishing the evaders. The taxpayers have to pay substantial costs and expenses in addition to the taxes, including the preparation of complicated tax returns and employing accountants. Taxation experts and consultants have sprung up everywhere, causing extra expense. And there is the constant friction and expense of passing on the indirect taxes.

Examples from history of the destructive effects of taxation are innumerable. King Solomon (the 'wise') was a foolish despot who for his own magnificence imposed massive taxation which enslaved the nation and caused it break-up.

Adam Smith says: “There is no art which one government learns from another sooner than that of draining money from the pockets of the people.”

NOT NECESSARY

This aspect of taxation has already been covered by the explanations of rent in this book. Once governments collect site-rent for their revenue, taxation will disappear.

THE DUTY TO PAY TAXES

Taxes force the people to regard their own government as their enemy, and so breed anarchy and rebellion (see 1 Kings 12). But under our present ‘education’ system most people have imbibed the totalitarian view of the State that taxation is normal and necessary and that to pay taxes is patriotic. Many people profess to believe this, but very few act on it. And those who do act on it suffer by paying taxes that others dodge, and those who dodge them incur the expense of the dodging. Unnecessary expense is loss.

Taxation is no more normal than is thieving or fraud, and there is a just and obvious alternative to it.”

'I don't believe in the dogmatic postulates of Marxist revolution. I don't accept that we are living in a period of proletarian revolutions. All that must be revised. Reality is telling us that every day. Are we aiming in Venezuela today for the abolition of private property or a classless society? I don't think so. But if I’m told that because of that reality you can't do anything to help the poor, the people who have made this country rich through their labour and never forget that some of it was slave labour, then I say 'We part company'. I will never accept that there can be no redistribution of wealth in society. Our upper classes don’t even like paying taxes. That's one reason they hate me. We said 'You must pay your taxes'. I believe it's better to die in battle, rather than hold aloft a very revolutionary and very pure banner, and do nothing ... That position often strikes me as very convenient, a good excuse ... Try and make your revolution, go into combat, advance a little, even if it's only a millimetre, in the right direction, instead of dreaming about utopias.'

Pres. Hugo Chavez of Venezuela

THE GEOIST THEORY OF RECESSION/DEPRESSION

by Bryan Kavanagh

In classical economics, production (P), was distributed between land, labour and capital, as rent (R), wages (W) and interest (I); that is: **P = R + W + I**.

The classicists defined *land* as all natural resources *exclusive of* man, that is, land, sea and air, so that, unlike current rubbery economic definitions which also regard some returns to labour as ‘rents’, rents in the classical sense are those yields only from land, mineral licences, fishing rights, sites on the electromagnetic spectrum, aircraft flight paths, etc.

Henry George refined classical distribution theory further in *Progress and Poverty* by putting a syllogism along the following lines:

(i) *Rent-seeking behaviours create the dual pathologies of increasing land prices and taxation, the servicing of which becomes a deduction from the incomes of both labour and capital.*

(ii) *Taxation and privately capitalised land rents devour the benefits of technological innovation, thereby creating unsustainable debt levels, involuntary poverty and recurrent periods of economic recession and depression.*

(iii) *Therefore, taking natural resource rents for public purposes, instead of taxing labour and capital, will obviate:*

- *the rich-poor gap created by a faulty distributional system*
- *unsustainable debt levels poverty and dispossession, and*
- *economic recession and depression*

By transposing non-earned ‘rent’ to the left side of the equation, viz, **P - R = W + I**, George suggested that if all community-generated resource rents were captured for the community for public purposes, then taxation and land price need not be deducted from earned incomes (from the work and savings of labour). He argued that this “fiscal adjustment” would reconcile labour and capital, permitting a complementary relationship to develop between the operative factors of production.

George held that the social capture of community-generated resource rents, a surplus in the production process, would rectify the distributional system and remove the inducements to cyclical bouts of land speculation, the invariable outcome of which is socially damaging economic recession, or, less frequently, devastating economic depression.

****ooOOoo****

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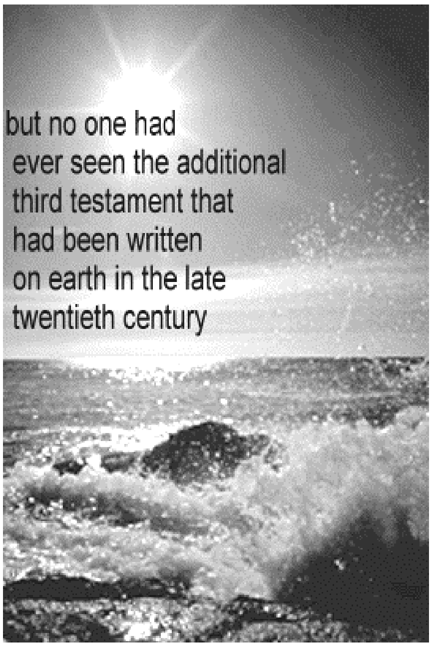
SUNCLAIM II:

DAYLIGHT ROBBERY, NO LESS

By Scott Cope

The world in which we live will expire in about five billion years, when the sun is due to explode. Whether it's the ensuing engulfment of the Sun's corona or the depletion of resources a lot sooner, the perpetuation and fate of the human race lies outside of Earth in another galaxy on planets or satellites beyond our present solar system. Machines will be sent to explore and develop such colonies suitable for human habitation and continuation. Time and distance will rarely permit the manning of such expeditions, and most probably also preclude contact between the human settlements leapfrogging the universe.



Anticipating this dilemma, an experimental settlement was trialled on the planet Mars, only a year away from earth. Preloaded machines and computers were sent to fertilise, educate and establish its cargo of human embryos. These 'Adastrians' were left in isolation to discover and contact earth, not from references in manuals, but from their own application of bequeathed technical knowledge. Their own technical supremacy and ambition were soon demonstrated, however, by the capacity to block the Sun from the dominant inhabitants of the earth, and to thereby extract rent for its light and warmth. When representatives of the human species complained that it was obscene to claim and withhold what they considered to be the gift of nature and demanded to learn the origin of such an ideal, they did not know that it had come from their own audacious reason, chronicled and presented as the very basis and advance of their civilisation.

In response to the Sunclaim, a secret committee was formed on Earth to discredit and counter the document that had apparently been written there as a moral code to guide and develop the embryonic civilisation. The first two testaments were well known to a great number of the citizens of earth as the Christian Holy Bible, but no one had ever seen the additional third testament that had been written on Earth in the late twentieth century during the triumph of neoclassical economics and the inception of the project.

The third testament, like the first, began with Adam. It was moral philosopher, Adam Smith, who was considered the founder of economic man when his inquiry into the wealth of nations found the exchange of self-interested behaviours in a free market produced the most beneficial social outcomes. His account, along with Leviathan, the Physiocrats, Utilitarians, Libertarians, and Whig were all powerful testaments to the efficacy of either or both market and property relations. On the basis of these testaments the 'Adastrians' applied the right of property to the Sun when they misinterpreted a passage from Physiocrats, which read:

"Land is the only natural agent which man has been able to appropriate and turn to his own peculiar and exclusive benefit... The winds turn our mills; even the heat of the sun co-operates with human industry; but happily no one has yet been able to say, the wind and the sun's rays are mine, and I will be paid for their productive services."

The Fourth Testament reviewed that its original author, Jean-Baptiste Say, did not advocate the appropriation of the Sun. Equally it was pointed out that Adam Smith himself; James Ricardo and the Utilitarians were opponents of absolute property relations. John Stuart Mill, for example, was driven to partial identity with socialism over the apparent irreconciliation of justice and liberty within classical economics. He like his father and forebears concluded overall that land was, in effect, a monopoly best regulated by the public collection of its unearned increment.

The Fourth Testament's reassertion of the implication of absolute property right on internal relations on Earth, as with Mars, never saw the light of day because the First and Second testaments were revealed to be the Old and New Testaments of the Holy Bible. A bond replaced a claim as the Adastrians celebrated a

land was, in effect, a monopoly best regulated by the public collection of its unearned increment

common inheritance. Unlike mankind on Earth, they had no desire to exploit their fellow beings. Touched temporarily by a spirit of brotherhood and co-operation, the Earth sent representatives, engineers, and developers to Mars to inspect, advise and develop its land. In time the free flow of people and its consequences took care of any concern that a Sunclaim would be reinstated. The subversive recommendations of the Fourth Testament were also buried in favour of opening up a new frontier. Within a few generations the visitors who stayed and procreated had fatally infected a population unaccustomed to germs, and once again our civilisation -- oblivious to the suffering caused by its impact -- imposed a model of civilisation as deadly as theirs potentially was to ours. With the repeat of history and the juxtaposition of progress and poverty, Tipler's profound and crucial experiment on the survival and future of human civilisation had degenerated into another land grab. ■

JOHN LOCKE (1632-1704)

John Locke was an Oxford scholar, medical researcher and physician, political operative, economist and ideologue for a revolutionary movement, as well as being one of the great philosophers of the late 17th and early 18th century. But how much of a proto-geoist was he? Despite his impressively-geoist quotes below, the answer is not so clear cut.

Locke was born in Bristol, England, to a Puritan family headed by a father who was a lawyer and minor landowner as well as a participant in the English Civil War on the side of the Parliament. In 1652 he entered the college of Christ Church at Oxford University, under the direction of the highly respected Puritan leader, John Owen.

After college, Locke continued to study and read with passion. He boldly expressed his views about freedom of religion and the rights of citizens so it should come as no surprise that, in 1682, his ideas were seen by the English government as a challenge to the King's authority. He fled to Holland, only returning to England in 1689 after the Civil War.

Shortly thereafter Locke began publishing his writings, many of which focused on government. Throughout his writings, Locke argued that people had the gift of reason, giving them the natural ability to govern themselves and to look after the wellbeing of society. Locke spoke out against the control of any man against his will, and such control was acceptable neither in the form of an unfair government nor in slavery.

Locke's two main works, *An Essay Concerning Human Understanding* and *Two Treatises of Government* were written more or less concurrently at the end of the 17th century, with the latter treatises being highly subversive texts at the time, so Locke was for a long time reluctant to admit authorship of them. They have now become cornerstones to political liberalism.

It's fair to say that Locke did not have a full grasp of the concept of economic rent, which partly explains how, in the chapter on property in the Locke's Second Treatise, it begins with the observation that God has given the earth to 'mankind in common' and ends by rationalising the unlimited accumulation of wealth. It would appear that he did not understand how the margin is created by location more than by soil quality.

How did Locke get around the notion that the private ownership of land itself cannot be justified, since no human being produced it? Locke invokes a condition "there be enough, and as good, left in common for others". But, contrary to his assumptions, such conditions did not exist even at the time he wrote, in view of the cost and burden of emigrating to regions where habitable land could be had without payment. Of course, fully-fledged geoists cut through the problem of the unequal value of land by requiring that the annual rental value of land be collected for public purposes.

It seems that for Locke the state of nature has two stages: the first, a stage prior to the introduction of money in which there is land "enough and as good" for everyone, and a second stage in which money has *rightfully* allowed some to own more land than others. Unequal ownership of land is natural and moral, according to Locke, since it does not deprive people of their natural right to property because each person owns himself or herself and can earn subsistence by selling his or her labor. Self-ownership, not the right to "enough and as good" land as others, is thus the basis of the rest of his political argument.

If Locke had argued otherwise, he would not only have been a political radical (which he was, by authorizing rebellion against unlawful government), he would also have been an economic radical in the geoist sense (which he was not). He was a radical and a geoist in his repudiation of the traditional, feudal conception of property rights being derived from royal authority, but he did not propose that every person had an equal right to land.

"It is in vain in a country whose great fund is land to hope to lay the public charge on anything else; there at last it will terminate. The merchant (do what you can) will not bear it, the labourer cannot, and therefore the landholder must: and whether he were best to do it by laying it directly where it will at last settle, or by letting it come to him by the sinking of his rents, which when they are fallen, everyone knows they are not easily raised again, let him consider."

"The earth belongs in usufruct to the living and is given as a common stock for men to live and labor on."

"Whenever, in any country, the proprietor ceases to be the improver, political economy has nothing to say in defence of landed property. When the "sacredness" of property is talked of, it should be remembered that any such sacredness does not belong in the same degree to landed property."