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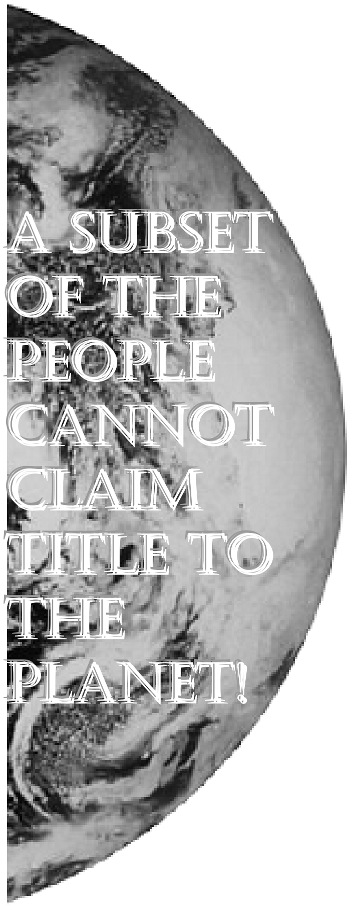
PROGRESS

"The 1980s …. treated such values as life, liberty, and the pursuit of happiness as if they could be bought, sold, and banked at interest. …... Markets make a good servant but a bad master and a worse religion." (page 8)



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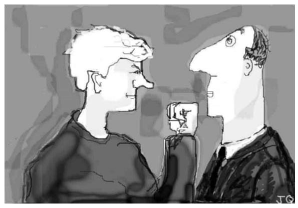

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Thus spake  Mr. Ed

Why I hate Christmas

I well realise that the title of this editorial will give my brothers further evidence to have me certified as a sociopath, but if they can't get over the trauma of certain boyhood dinnertime pranks involving the launching of squashed peas and other surplus vegetables, then there's little I can do for them.

The reason I'm wandering around exclaiming "Bah! Humbug!" is that the gross commercialism of Christmas brings home to my furrowed brow the sustained private consumption binge that Australians have been on for the past decade. The property boom (that's really a curse) coupled with unprecedented levels of personal debt have left most Australians absorbed by their own material circumstances, with little room left for thoughts of building the Good Society towards which geoists aspire.

If the property boom is so good, why are Australian households up to their necks in debt? Could this be a deliberate political orchestration to force households to put aside all considerations of creating a better society because they're too scared of the financial disaster that would befall them if interest rates rose? In our materialistic society, what could be more disastrous than having the bank foreclose on you, especially as so many of us are driven by the dictum "He who dies with the most toys, wins" ?

As my current automatic email sign-off signature says: I used to be under the illusion that I was a citizen living in a society run by our elected leaders. However, Little Johnny Howard has made it clear that I'm actually a consumer living in an economy run by the market.

With Voluntary Student Unionism further depoliticising our education systems along with the mindless narcissism of the consumer culture in which young people are totally immersed, one can only conclude that we really can't expect much more from our programmed youth. Nor can we expect anything better from the Liberal Party than the relentless promotion of self-interest and the rejection of the politics of social progress. As for the Labor Party, The Lovely Andrea (hi, babe) said it all recently: "Beazley is nothing but a fat Howard".

I was reminded of this trend all-too-nauseatingly as I recently flicked through a Virgin in-flight magazine. From start to finish, it was all glamour – and lies. They might as well have printed on every page "Money and prestige are the secrets of life", so absurd were their depictions of the ecstasy of buying the right toys and the shame of being seen in anything that's "So Last Week".

But what had me almost lunging for the emergency door release handle was the food section. In case you didn't know it, the height of sophistication in our culture is to be able to titillate the palate with an assortment of flavours (irregardless of whether they're organically-derived or not). And the obscene self-indulgence that The Culture of Cool portrayed, through the smiling celebrity foodies, was the amazing taste sensations you can experience at the hippest restaurants around Australia.

But what made Mr. Ed totally apoplectic was how some of these glamourpusses went on about their "passion for food". As Mr. Ed recently asserted to his long-suffering housemate who dared to also use "passion" and "food" in the same sentence, *there's no such thing!* It is *impossible* to be passionate about food or wine or cars or paintings or furnishings or fashion or any such trifles. Moreover, anyone who claims to be passionate about such trifles *does not know the meaning of the word, passion!* Their whole universe has become so dumbed-down and materialised that a transient flicker of self-indulgent (and often polluting) pleasure seems to them (from what they're told in the trash media) to be of the nature of real passion.

So the irony is that the very claim of passion verifies that the claimant possesses none at all. As the great 19th-century Irish patriot, John Mitchel, wrote "To have a great aim and a cause, is this not happiness? Is there not a joy that colder, tamer spirits never know?" Anyone who's seen a diehard geoist in full flight, fulminating and foaming at the mouth as they try to put words to something that's beyond words, will start to appreciate what *real* passion feels like, and will denounce the baubles and distractions of this aptly-named Silly Season.

The Earth belongs to everyone, yet the vast majority of humanity have been dispossessed …. and don't even realise it. Dwell on that, as you reach for your Christmas bon-bons.

Newshound on the sniff

By Crikey, it's taken a cracker of an article to convince Mr. Ed that anything in excess of 5000 words deserves an unabridged place in this rag. But Gavin Putland's masterpiece – and that word doesn't get used lightly around here – deserves every bit of exposure it gets. And when you're sitting stunned after reading it and realise that you're existing in a parallel universe where you, like a psychic seeing auras, can actually perceive the hidden connections in the economic system that keep us in absolutely-needless poverty, don't just sit there. Scream it from the rooftops, photocopy it and put it round.

Long overdue thanks are due to John Poulter and David Brooks for supplying Mr. Ed with the happy snaps that frequently adorn our little journal. And more thanks to Jill Quirk for her cartoon drawings.

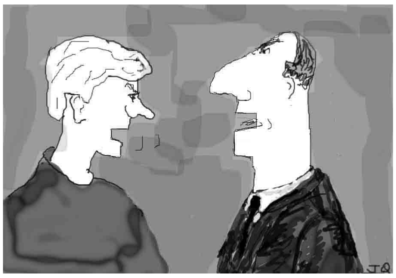
"By what right can you alone possibly claim ownership of such a vast area of God's Earth?"

"It's legally mine – I have the title deed."

"What is this piece of paper called a title deed?"

"It shows that my great great great grandfather paid good money to purchase this land!"

"But how did the person who sold the land to your ancestor claim to have legitimate ownership of the land?"

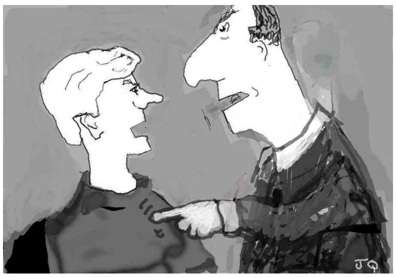


"That seller also paid good money for the land."

"But how did that previous owner claim a right to own the land?"

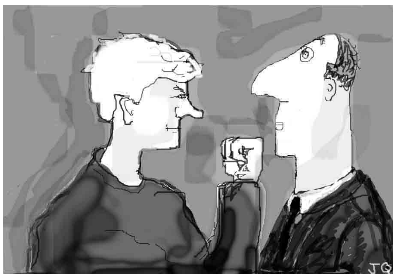
"He was another legitimate owner, having paid for it."

"But how did the previous seller to him get hold of the land?"



"He fought for it in battle, and won."

"Good! I'll fight you for it!"



Quotes of Note

Land rent would be a social advance equal to the inventions of writing and money.

- Mirabeau the Elder (1715-1789)

For neo-classical economists anything that interferes with their true religion – namely, the market – is blasphemous. How conveniently they have forgotten that their supposed mentor, Adam Smith, 'father of modern economics' was first and foremost a Professor of Moral Philosophy at Glasgow University and before he wrote Wealth of Nations, was already famous for his great work, The Theory of Moral Sentiments.

- Kanran Mofid (Professor of Economics, Oxford)

"Expropriation [of the land] must precede exploitation. There is no other way to make the political means effective."

- A.J. Nock

"God has cared for these trees, saved them from drought, disease, avalanches, and a thousand tempests and floods. But he cannot save them from fools."

- John Muir (1838-1914), so-called founding father of the conservation movement

"Some of our chiefs make the claim that the land belongs to us. It is not what the Great Spirit told me. He told me that the land belongs to Him, that no people owns the land; that I was not to forget to tell this to the white people when I met them in council."

- Kaneku, Kickapoo prophet

"The bigger the real-life problems, the greater the tendency for (neo-classical economics) to retreat into a reassuring fantasy-land of abstract theory and technical manipulation."

- Tom Naylor

Here's a terrific article by ***Mark Braund*** *of The Guardian (a most excellent UK newspaper). Mark* ***who****? Mr. Ed has never heard of him but thinks he should've, because Ed is mighty impressed by the Cat-Seeing ability of this guy who's recently written a book, "The Possibility of Progress", published by Shepheard-Walwyn. Has anyone read this book and would like to review it?*

The underlining is that of Mr. Ed.

Despite the prime minister's resolve, the year in which Britain was to "lead the world in making poverty history" has achieved little. This month there is one last opportunity as the World Trade Organisation gathers in Hong Kong. But even if this meeting throws up some surprises, we will end the year little closer to ending poverty. Increased aid, debt cancellation and fairer trade would certainly have some impact, but they would not address the underlying causes of poverty.

To their credit, Tony Blair and Gordon Brown seem genuinely committed to reducing poverty in the developing world. But commitment is not enough. Their ambitious plans were doomed from the start for political and economic reasons.

Any strategy to reduce poverty in poor countries based on aid, debt relief and trade justice has to be paid for by rich countries, and this has consequences for their economies. Britain may be able to absorb the costs, but other countries cannot. Try telling France's disaffected youth that more taxpayers' money must go to Africa, or their struggling farmers that more food must be imported from the developing world. But even without this considerable political constraint, the strategy is unlikely to succeed because it does not take proper account of the economics of poverty. All the governments of rich countries remain committed to current global economic arrangements and believe a solution to poverty is available within that framework. They see poverty as a side-effect of economic advance, a problem to be addressed through policy adjustments, and refuse to accept it is part of the system.

One can see that the neo-classical economics that currently dictates policy, and that has driven globalisation, has little to offer when it comes to tackling poverty. It is reasonably effective at promoting economic growth. But growth does not assure the equitable distribution of wealth, and often appears to have the opposite effect, especially in the developing world.

If the objective is reducing poverty, then economic progress should be judged by measuring not growth, but poverty and economic exclusion. This reveals that after several decades of steady improvement, the situation in sub-Saharan Africa has deteriorated every year since 1984. Despite this, it seems never to cross the minds of the world's finance ministers that the theoretical basis for the global economic revolution of the past three decades might be fatally flawed.

The forces that cause deepening poverty in poor countries are also at work in the rich. This is why Labour's commendable targets for reducing child poverty have been so difficult to achieve. Poverty in the developing world can be successfully tackled only by removing its root causes. This requires us to return to economic first principles and to look to the founding fathers of worldly philosophy. It was clear to Adam Smith that any philosophy for a fair society needed to acknowledge the economic forces that determine the distribution of economic opportunities and therefore wealth. It was Smith's near contemporary David Ricardo who made explicit what was becoming obvious: <u>if the ownership of land and natural resources is grossly unequal, then wealth and wellbeing will be the privilege of the minority. And as the economy develops and more wealth is created, the gap between rich and poor will widen. This is an inescapable conclusion of classical economic theory, and although the world has moved on since Ricardo's day, the fundamentals remain the same.</u>

Consider Mozambique, an African success story where the economy is growing at 10% annually. The capital, Maputo, boasts one of the finest colonial hotels on the continent. But as the new indigenous elite enjoys London-priced cocktails in its sumptuous bar, only a few miles away their fellow citizens are still living in the iron age. Fairer trade would increase the wealth-generating capacity of countries such as Mozambique, but without measures to address the root cause of poverty, the poor majority would feel little of the benefit.

Neo-classical economics is considered to be a minor updating of its Enlightenment predecessor. But in the process of that updating, key aspects of the earlier version have been discarded. Only those elements likely to serve the interests of minority privilege have been preserved. If a small group of wealthy citizens set out to devise an economic system that would enable it to expand its wealth and entrench its advantage, it is hard to imagine a better system than the one we have today.

It is reasonably easy to make a moral case against the obscene wealth of the super-rich, and for a more inclusive and just global economic order. But that moral argument must be presented alongside a sound economic strategy. If our present minority-favouring economy is based on a false understanding of economics, then a revised understanding is needed in order to create an economy which serves the interests of the majority.

The early economists set out to find a means by which individual freedom and social justice could be reconciled. The evidence of the intervening two centuries suggests that not only were they ahead of their time, but also ahead of ours. Far from trying to emulate their attempts to reconcile freedom and justice, we assume them to be irreconcilable. As a result, politicians and activists divide into two camps: those who prioritise individual freedom, but fail to acknowledge that freedom is worth little without economic security; and those who prioritise social justice, but struggle to come up with a sound economic strategy for promoting a more equitable distribution of wealth.

Arguments about freedom and justice often centre on taxation. Those on the right argue that taxing personal income is a disincentive to individual enterprise, while taxing corporate profit undermines the ability of firms to invest for the future. The left counters that as private enterprise and free markets are unable to provide economic security for all, the redistribution of wealth through taxation is imperative if a sizeable part of the population is to avoid destitution.

Both sides have a case. Taxation does limit wealth creation. But, without some redistribution, millions more would fall into extreme poverty. Taxation of personal income is an infringement of people's right to keep what they earn. But that infringement is as nothing compared to the experience of those denied viable economic opportunities.

Instead of arguing over how much we should tax, we should be asking why an economy based on free markets and private enterprise is so incapable of delivering opportunities and security for all. This brings us back to classical economics. If access to the land and natural resources upon which economic activity depends is concentrated in the hands of the few, the many will struggle to find adequate life-sustaining opportunities. This conclusion drove Ricardo to despair. Two centuries ago there was no possibility of persuading the aristocracy that wholesale changes in land ownership were needed to reduce poverty. After staggering economic and technological advance but still no end to poverty, we may be more receptive. But we still need a mechanism to widen access to economic resources without threatening individual freedom.

A neat solution was proposed more than a century ago by an American economist named Henry George. Today, his followers are subjected to unfair accusations of intellectual naïveté by the economics mainstream. But his ideas deserve a hearing because they adhere to the essential truths of classical economics, and because they promise an economy in which individual freedom and social justice become co-dependent rather than mutually exclusive. For George, the key to transforming the economy lay in the tax system. He argued that instead of taxing effort and enterprise through taxes on incomes and profit, we should tax ownership and the exploitation of natural resources.

Currently, people who own land are entitled to keep the full amount of any increase in its value. As land generally rises in value, their wealth increases regardless of how much work they do. If this income were taxed, there would be no incentive for anyone to amass large landholdings, and land ownership would be spread more widely. Supporters of such land-value taxation suggest it could ultimately replace traditional taxes as the source of public revenue, thus increasing the capacity of the economy to generate wealth, as well as ensuring its more equitable distribution.

By reforming the tax system to reward effort rather than ownership, many more people would gain access to economic opportunities. Admittedly, the super-rich would have less freedom to amass huge personal fortunes, but if our democracy is working as it should, they would eventually have to accept that their privilege comes at too great a cost to wider society.

Look at the argument for such change: the promise of an economy that encourages private enterprise; that is dependent on the free play of market forces; that reduces the role of government to that of provider only of those services not suited to private provision; and that provides opportunities for everyone prepared to take responsibility for their economic welfare. It is a no-brainer.

Such revisions to the tax system would have to be accompanied by other similarly motivated policies if the economy were to be transformed from a servant of minority privilege into a provider of majority justice. These would have to include reform of the global monetary system which allows banks to create unlimited credit for large corporations while denying small loans to those who need them to help themselves out of poverty. It would also require an end to the kind of casino capitalism that allows the rich to speculate on financial markets, sometimes causing whole economies to collapse, forcing millions into poverty. What these reforms (of the tax system, the monetary system and financial markets) have in common is they all target unearned income.

In poorer countries the pace of economic liberalisation makes matters worse. Russia is a perfect example of how rapid deregulation causes land and natural resources to fall into the laps of a fortunate few. It now rivals Mexico as the country with the largest gap between the rich elite and the poor majority. And it does not require corrupt government for assets to be scooped up by the likes of Roman Abramovich. It happens anyway, as those who are wealthy borrow money to acquire more land and the rights to exploit mineral resources.

In the developing world the situation is more serious. In these mainly agricultural economies, the only way for most people to make a living is by growing their own food. If, as in Africa, the most productive land is taken over by cash crops for sale to rich countries, then the life-blood of ordinary people dries up. This may be happening because of the need to repay crippling international debt, but even if that debt were written off these businesses would continue to flourish. As they became more successful they would use more technology and employ fewer people. No jobs, no land to farm and no social security system. More than anyone, the people of the poorest countries need a mechanism to ensure they have access to land.

The long-term redistribution of economic resources through a reformed tax system that targets unearned income promises an end to poverty in rich and poor countries alike, because it strikes at the root cause. We have a choice. We can arrange the global economy so that only a minority have access to it, and then tax their earnings to mitigate the poverty of the rest. Or, we can arrange it so all have access to economic opportunities. The first will relieve the worst of today's poverty but do nothing for tomorrow; the second could eradicate poverty once and for all.

For too long we have accepted the argument that there is no alternative to current arrangements. If growing numbers can be persuaded that there is an alternative, one that is morally desirable, likely to promote individual freedom and social justice, and that is backed by sound economics, then we might succeed in making poverty history.

Democracy must be something more than two wolves and a sheep voting on what to have for dinner.

- James Bovard, Civil Libertarian (1994)

GIGGLES & GROANS

The Government is proud to unveil its new industrial relations program: SerfChoices

SerfChoices features exciting changes to the way your lord handles your employment. In the past, there were many ways you and your lord negotiated.

Some lords liked to beat their serfs with maces; some cudgels; some preferred the rack. The Government is pleased to announce there will now be one standard method for beating peasants with large sticks, making it a simpler and fairer system.

SerfChoices also changes the way you, the peasant, negotiate your weekly payment of turnips. In the past, you negotiated your turnip ration in the presence of your lord and the Government's official torturer, Dagmar the Terrible. The Government is pleased to announce it has eliminated third parties such as Dagmar. Now your lord will beat and torture you directly as you beg for scraps. Once negotiated, your contract will be cast in iron. You can't get much more cast-iron than manacles.

SerfChoices guarantees that many of your employment conditions remain unchanged. As a peasant, you're not entitled to holidays, so there's no change there. Your medical benefits remain intact - when you pass out in the fields from exhaustion, you will be left until you recover or the wolves take you.

The Government has made it illegal for your lord not to beat you because of race, colour, sex or age. Everyone will be given the same number of beatings, making it a better system for all.

The maximum number of working hours a day will be fixed at 23. one hour is permitted for sleeping, smoking noxious weed from the West Indies, and turnip consumption. Casual peasants will earn a quarter of a turnip and a piece of weevil-infested bread for each hour they work over 23. Your protection from unfair dismissal will depend on your individual bargaining power - that is, whether or not you can talk your lord out of shooting you with his crossbow. Yet another way the Government is rewarding individual talent.

Thanks to SerfChoices, Sunday will no longer be a day of worship, but of work. Your lord is your living god - you may worship him whenever you please. Collective bargaining - otherwise known as peasant rebellions - will be treated in the usual manner, with the king's horses using the dissenters for speed bumps until they drop their demands.

Over time you may notice that your daily turnip ration goes down. That's because peasants in Upper Saxony and Timbuktu are willing to work for less.

SerfChoices will allow us to build foundations for a stronger, more prosperous kingdom. If we don't act now, soon there'll be no turnips for your children and your children's children's children's...

For those who are still not keen on change there's always the BarnabyChoice

SHORT SHOTS
Aussie news and opinion

from GEOFF FORSTER

"Those who view poverty as produced by structural inequalities will continue to advocate **increased government intervention** to promote greater opportunities for the disadvantaged." - From an article by a welfare expert from a certain Victorian university. But what sort of intervention? Current wealth redistribution schemes – mere band-aids – are not enough! The author has been sent material on what *really* needs to be done.

The **widespread riots in France** in November were apparently not so much ethnic or religious in motivation, but rather due to the fact that so many felt deeply socially alienated by the system. In "Progress and "Poverty" Henry George had a prophetic passage, 'Whence shall come the new barbarians?" Failure to give real socioeconomic opportunity is of course by no means confined to France.

"Four decades after President Lyndon Johnson declared **war on poverty**, more than 37 million people in the world's richest country are officially classified as poor. .since 2000 the ranks of the poor have increased, year by year, by almost 5.5 million in total." (*The Age*, 6/10/05). "The share of total income that goes to the bottom two fifths of households has fallen to one of the lowest levels since World War II and the number of people lacking health insurance rose in 2003 to highest level on record." (*The Unitarian Beacon*, Oct. 2005). Henry George would not be surprised!

About 1500 Australian children aged 14 and under die each year because of **socioeconomic disadvantage**, according to a recent issue of the Australian Medical Journal. Death rates among Australian children rise in association with worsening levels of disadvantage. Suicide rates in young Australian men have quadrupled in 30 years ("The Age", 1/8/05). More evidence to back Henry George's classic "Progress and Poverty".

"The truly brazen claim is that **tax cuts for the big end of town** would put an end to criminal tax avoidance. Oddly, this is seen as a perfect respectable argument. Taken to its logical absurdity, you could argue that tax cuts for the bottom end of town would put an end to ram-raiding, but nobody ever runs that proposition. It is only the rich that need incentives."

- Mike Canton, *Sydney Morning Herald*, Sept. 10-11, 2005.

A University study from Sheffield, Bristol, and Edinburgh found that the **rich-poor divide** in Britain is as great as ever, 60 years after the founding of the welfare state (*Melbourne Unitarian Beacon*, Oct.2005). Welfare is no substitute for radical social justice.

Acknowledgment of the **role of land prices** in housing occurs rarely in the media, but Alan Moran of the Institute of Pub1ic Affairs pointed out ("The Age", 27/10/04) that planning restrictions were causing a shortage of new housing land, to the detriment of new-home builders. For a typical new home the land component is $112,000 compared with $15,000 30 years ago. Of course there are factors as well, such as the activity of "investors" of various types. But planning red tape is indeed significant.

The issue of resources rentals is currently relevant as regards the **Timor Sea**. According to the Timor Sea Justice Campaign, the Australian government is continuing to unilaterally take millions of dollars of government royalties from contested oil and gas resources in that area, thereby depriving one of the poorest countries of billions of dollars while East Timorese children are dying from preventable diseases. It is claimed that simply recognises Timor's rightful entitlement to have permanent maritime boundaries established accordance with international law. (*Disarming Times*, No 2005-Jan.2006).

There were some odd incidental aspects to the **Live8 concerts** on July 2 focusing on world hunger. One artist cancelled his appearance at Live8 because it clashed with his acting commitment for the upcoming film "Get Rich or Die Trying". In Philadelphia while many musicians "donated their services", many performers received lavish gift bags of branded designer goods such as expensive guitars, sty1ish suits and exclusive fashion accessories, some worth as much as $10,000 (*New Internationalist*, Aug.2005).

Australian house prices were the most overvalued in the world, according to a sensational leading page 1 report in "The Age", 1/12/05. Amidst the dire warning was a report on welfare services saving that the struggle to find affordable housing is now affecting middle class people, as well as those on low incomes; 1.7 million people were in "housing stress" in 2004, spending more than 30% of their income on accommodation. Average household debt had skyrocketed as a proportion of household disposable income. From 49% of income in 1990-91, the debt ratio had nearly trebled to 143% in 2004. In the lengthy "Age" article, the word land did not occur once. A comment on this point by your columnist, was not of course, published.

BOOK REVIEW

By Mr. Ed

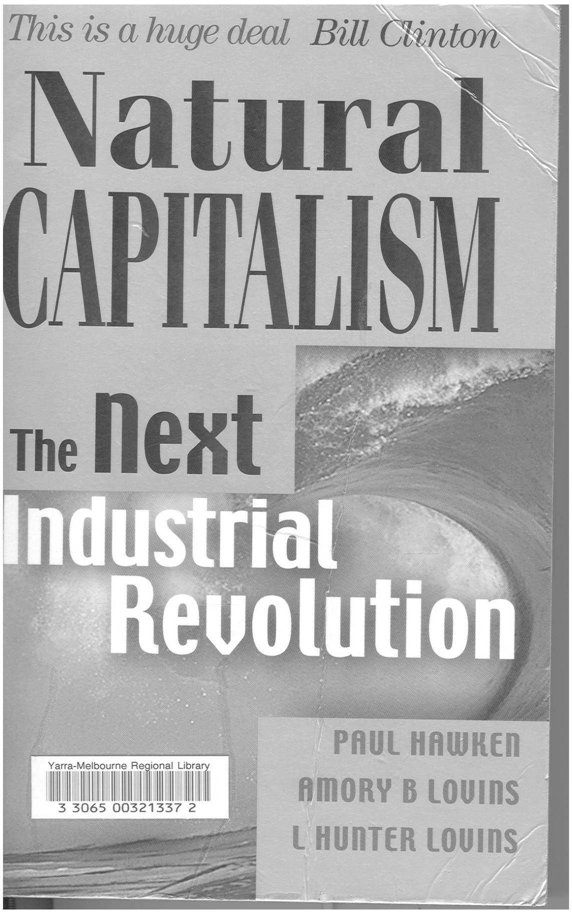
Mr. Ed begs to critically comment on the book that's become a modern-day environmental icon - *"Natural Capitalism"* by P. Hawker, A.B. & L.H. Lovins, (London: Earthscan, 1999) from which the front page and following quotes are taken. Their critique of the limitation of markets is applauded, they research meticulously, argue well, and rather deserve their best-selling status - *yet they completely misses the need for Land Value Taxation (LVT)*. As such, it is illustrative of how so many major advantages of LVT can be momentarily grasped and then mislaid.

At the very beginning the authors make an exhaustive list of natural resources (which they term natural capital) used by humanity, yet fail to mention the one on which we all need to stand! In the wide-ranging review which follows, the authors appear to come tantalizingly close to grasping many of the direct benefits of LVT, only to lose the thread and conclude the book, no closer to a realisation of the monumental impact LVT would bring about.

They see the small picture, but not the big. A solid case is mounted to make driving and parking vehicles bear their true costs (this is, of course, LVT in the form of renting of temporary or "moving" parcels of land), but cannot see the wood for the trees.

Urban sprawl deservedly receives much attention, yet the powerful impetus LVT gives to put land to its optimal use and bring about a more compact cityscape remains unnoticed. Toronto's inducement to clustering around urban corridors is praised, but no inquiry is made into its "density bonuses and penalties". Also left tantalizingly unexplained is the statement "Mortgage and tax rules that subsidize dispersed suburbs are another long-standing cause of sprawl."

they take the conventional approach of viewing the Earth as a speculative commodity and bemoan plummeting real estate prices in Southern California



Geoism eliminates the curse of land speculation by making it economically unaffordable to hold onto land that is not put to its optimal use. In the study of Curitiba, Brazil, the authors recognise the ills of speculation, but demonstrate their limited vision by stating "A good start to correcting these costly distortions would be to make developers bear the expenses they impose on the community." Of course, we ALL should pay for costs we impose on the community, just as the authors rightly say elsewhere that we should all pay for costs imposed on the environment. In terms of LVT, "in proportion to what we take from the community (in terms of the exclusive use we make of land), we should repay." Or, in more general terms, "Pay for what we take, not what we make."

On this point (the present practice of taxing production), the authors have clearly seen the inequity and economic disadvantages of such punitive taxes, as well as the folly of subsidising the use of natural resources (surely such subsidies should be seen as negative eco-taxes?!).

The authors' otherwise first-rate survey and set of proposals ends on a disappointing and baffling note when they take the conventional approach of viewing the Earth as a speculative commodity and bemoan plummeting real estate prices in Southern California. While the case for adopting a wide range of technical innovations has been convincingly argued, until the Geoist perspective has been taken, there is little to substantiate the authors claim that this a "revolutionary paradigm for the industrial economy".

I should wipe the froth from my mouth, settle down, and admit that there are many praiseworthy aspects to this book. Here's one of the passages I personally appreciated:

"THE LIMITATIONS OF MARKETS

"For all their power and vitality, markets are only tools. They make a good servant but a bad master and a worse religion. They can be used to accomplish any important tasks, but they can't do everything, and it's a dangerous delusion to begin to believe that they can – especially when they threaten to replace ethics or politics. America may now be discovering this, and has begun its retreat from the recent flirtation with economic fundamentalism. That theology treats living things as dead, nature as a nuisance, several billion years' design experience as casually discardable, and the future a worthless. (At a 10 percent real discount at, nothing is worth much for long, and nobody should have children.)

"The 1980s extolled a selfish attitude that counted only what was countable, not what really counted. It treated such values as life, liberty, and the pursuit of happiness as if they could be bought, sold, and banked at interest. Because neoclassical economics is concerned only with efficiency, not with equity, it fostered an attitude that treated social justice as a frill, fairness as passé, and the risks of creating a permanent underclass as a market opportunity for security guards and gated "communities." Its obsession with satisfying nonmaterial needs by material means revealed the basic differences, even contradiction, between the creation of wealth, the accumulation of money, and the improvement of human beings.

(their) exhaustive list of natural resources .... fails to mention the one on which we all need to stand!

"Economic efficiency is an admirable means only so long as one remembers it is not an end in itself. Markets are meant to be efficient, not sufficient; aggressively competitive, not fair. Markets were never meant to achieve community or integrity, beauty or justice, sustainability or sacredness – and, by themselves, they don't. To fulfil the wider purpose of being human, civilizations have invented politics, ethics, and religion. Only they can reveal worthy goals for the tools of the economic process.

"Some market theologians promote a fashionable conceit that governments should have no responsibility for overseeing markets – for setting the basic rules by which market actors play. Their attitude is, let's cut budgets for meat inspection and get government off the backs of abattoirs, and anyone who loses loved ones to toxic food can simply sue the offenders. Let's deregulate financial markets, and self-interested firms will police themselves. Let straightforward telephone, cable TV, and airline competition replace obsolete regulatory commission. Those seduced by the purity of such theories forget that the austere brand of market economics taught by academic theorists is only tenuously related to how markets actually work. The latest illustration include the Wild West wreck now looming in Russia, mad-cow disease, savings and loan fraud, phone scams, and crash-by-night airlines. By the time textbook simplifications get filtered into political slogans, their relationship to actual market behaviour becomes remote. A dose of empiricism is in order." ■

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; a free ride 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.

COLONIAL RENT

The strategy of colonial occupation has always been to seize title or, where that is unclear, to proclaim sovereignty, in order to extract rent from the indigenous population, or to clear that population into a progressively smaller and less productive land area to create a labour force, or both.

In Ireland, Elizabethan settlers evicted the locals, leading to an ethnic uprising eventually crushed by Cromwell's ethnic cleansing and the seizure of Ireland's best land for his soldiers. The huge wealth shifts in the form of rent transfers were then held in place by laws against indigenous land ownership or entry to the professions. Then, Malthus's population law, Ricardo's rent law, and a crop failure, pushed the indigenous population below subsistence. One million died and descendents of the two million who emigrated then supported what they saw as freedom fighters and what the English saw as terrorists. There seems to be little, in the agitations of Parnell and O'Connor for Home Rule, in Partition, and in all the subsequent problems in Northern Ireland, which cannot be explained by the land expropriations by the English.

In Latin America, and in Africa culminating in Apartheid, the objective was to secure a supply of cheap labour by forcing populations off their land. Attempts at land reform in Latin America continue to be crushed by powerful local interests, with considerable help from the CIA. In Africa, land reform has been, for the most part, a transfer of rents from one monopolistic institution to another.

In what is usually referred to as Palestine, Israeli land occupations, a form of neo-colonialism supported by the USA, are thought to have raised unemployment there above 50 percent and reduced incomes to around $600 per annum. As always, objectors to this process are labelled freedom fighters or terrorists, depending on who writes their histories. ■

From the Herald-Scum - er, Herald-Sun, 21/11/05

I.R. THREAT TO RENTS

If workers in firms with fewer than 100 employees lose their protection against unfair dismissal (not to be confused with unlawful dismissal) . . .

If all other workers lose this protection as long as their employers can claim ``operational requirements" . . .

If all workers are liable to be rehired on lower pay when their present awards or agreements expire . . .

How will all this affect the average worker's ability to get a home loan and what will be the effect on home prices?

If the lowest-paid, least secure workers, who tend to rent rather than buy, have their pay and security further eroded, how will that affect the rental market, hence the rents received by mum-and-dad property investors, and the values of their assets?

I have long been predicting a hard landing in the housing market. But, I must confess, I didn't foresee that the Howard Government would be so keen to prove me right.

- Gavin R. Putland, West End, Qld

****ooOOoo****

From The Age, 17/11/05

DEVELOPERS' CROCODILE TEARS

Steve Bracks $10,000 "development contribution" to the cost of infrastructure is to be welcomed – why should taxpayers enrich the land values of developers by providing amenities for free?

Of course developers are angry that their windfall profits won't be as massive, but their crocodile tears over their claim that the "tax" will be passed on to prospective home owners are patently false. They well know the economic dictum that land, fixed in supply, behaves as a monopoly good and already extracts the maximum that buyers are able to afford. Hence we've experienced spiralling land (not "house"!) prices, as a result of low interest rates, home buyers' grants, tax breaks and ongoing economic progress.

The solution to greedy and corrupt developers, affordable land and the public financing of infrastructure is a more refined form of development contribution. That is, in direct proportion to the value of community-created benefits, landowners should pay a properly-assessed form of land value taxation, thus enabling the easing of punitive taxes on honest work.

I can already hear the deafening howls of protest from this country's Sacred Cows – property investors and speculators!

- Karl Williams, Tecoma, Vic.

****ooOOoo****

From The Australian Financial Review, 17/11/05

JOBLESS FIGURES ON TRACK FOR RECESSION

The Australian property market peaked - or rather popped - in 1973, 1981, 1989 and 2004. The first three pops heralded recessions and so will the fourth.

As usual, our economic experts are in denial.

Borrowing against the most recent property bubble fuelled a consumption binge.

Employers, not realising that the consumption was unsustainable, went on a hiring binge and got the Howard government re-elected for giving us such a "strong" economy. The subsequent period of slowing GDP growth, booming employment and declining GDP per hour worked - which had the experts scratching their heads and blaming vague "capacity constraints" - simply indicated that hiring had overshot.

Now that employment has actually started to contract, even the experts should be able to see the light - or rather the storm clouds.

- Gavin R. Putland, West End, Qld.

****ooOOoo****

From The Australian Financial Review, 21/11/05

HOME TRUTHS FOR RBA AND APRA

Phil Naylor, the chief executive of the Mortgage Industry Association of Australia, argues that mortgage brokers should not have to "take the rap" for the poor quality of home loans ("Don't blame the brokers", Letters, November 18).

Mr. Naylor is correct, of course, because this smacks too much of searching for scapegoats. The competition between banks and lending institutions to write home loans during property booms has a habit of getting out of hand, and this highlights a structural problem which needs to be addressed at a much higher level.

The creation and eventual bursting of land price bubbles has a history of bringing the Australian financial system to its knees at regular intervals, so the Australian Prudential Regulation Authority ought to be pressing for a federal charge on all land values if it is to be effective in tending to the health of the financial system.

In fact, APRA and the Reserve Bank of Australia need to get their heads together in order to demand of our politicians that the RBA administer an all-in flat-rate charge on land values. Such a charge should replace state stamp duties, payroll taxes and land taxes (the latter with their notorious thresholds, exemptions, aggregation provisions and multiple rates), and the revenue delivered, GST-like, back to the states. Maybe the charge ought also to replace the costly GST.

It is not the job of the RBA to hose down the economy by nondiscriminating interest rates, but, as with APRA, it is its job to protect our financial system against the creation of property bubbles.

If the RBA tweaked a federal charge on Australia's land values as assiduously as it has done with interest rates, both APRA and the RBA might finally begin to carry out their appointed duties, instead of seeking to put the blame elsewhere for the ritualistic lead-up to financial collapse.

- Bryan Kavanagh, Director, Land Values Research Group, Melbourne, Vic.

****ooOOoo****

From The Age, 3/11/05

NEGATIVE GEARING FAILS TEST

According to the official spin, negative gearing deductibility helps renters and first home buyers by encouraging property investors to "supply accommodation"; the larger the supply, the lower the rents and prices. The truth is that the only investors who actually add to the supply of accommodation are those who *build new accommodation*. Therefore, if negative gearing deductibility were really intended to maximise the supply of accommodation, it would be allowed only for new construction - not for future purchases of established properties. But in fact the negative gearing rules fail to distinguish between new and established properties, giving no incentive to build rather than buy. So the supply of accommodation is lower than it could be, and rents and prices are consequently higher than they could be. That's good for current owners of rental properties, but bad for renters and first home buyers.

Negative gearing deductibility *could* help renters and first home buyers if it were done properly. But it isn't. It's done so that established property investors not only get a tax break at the expense of other taxpayers, but also get higher rents and prices at the expense of renters and first home buyers.

--- Dr Gavin R. Putland, Communications Officer, Prosper Australia

****ooOOoo****

From The Brisbane Courier-Mail, 7/12/05

INVESTMENT IN INFRASTRUCTURE

The imminent arrival of the four millionth Queenslander was the cue for the Property Council of Australia to have another whinge about lack of infrastructure.

Every infrastructure project increases property values in the area served by the project. If the project passes a cost-benefit test, the cost can be covered by reclaiming only part of the uplift in property values through the tax system, leaving the rest of the uplift as an unearned windfall for property owners in the affected area, without burdening the taxpayers outside that area.

If the Property Council wants to do something about infrastructure, it needs to stop thinking about infrastructure as a free gift from taxpayers to property owners, and start thinking of it as an investment by property owners for their own benefit, with the tax system acting only as a catalyst.

- Gavin R. Putland, West End.

It's not so much a letter as an advertorial, but it's certainly worth reprinting Leo Foley's top effort in having this piece run in October's "Bayside News", one of Hobart's local rags.

HOW TO INVIGORATE HOBART

"Hobart should aspire to be Australia's City of the Future", says Leo Foley, a candidate for the Hobart City Council elections. "We hold ourselves back by saying we can't afford the best", he says.

Leo says, "We can be whatever we want, and have what we desire, as long as we capture community generated wealth to fund projects into the future". He quotes Sullivans Cove as an example - millions of dollars will be spent there, creating a wonderful precinct, but the value created by that public investment will find its way into private pockets, in the form of increased land values for local landowners. Income taxes and GST of working people will fund the developments, but the beneficiaries will be the already rich. "If we capture the value of increases in the land value, everybody will benefit, and Hobart can look forward to its next great development," Leo says. "What the community produces belongs to the community."

All infrastructure projects generate increases in land value. Leo promotes better transit systems, to overcome Hobart's increasing traffic problems. He says, "More buses won't help much, because they are slow and inconvenient. We should shoot for the stars, and build high-speed monorail systems to Kingborough, Sorell, and Brighton - 10 minutes to the city, with no fares. Increased land values and commercial hubs at terminals could pay for it in 25 years".

"Capturing increased land values for community benefit removes the expectation of capital gains from land, making it affordable for the next generation". Leo is the Public Officer for 'Shelter Tasmania', and passionately promotes affordable housing throughout Hobart, now and into the future. He promotes site rents on land as the means to achieve that. "Land is our common inheritance; and site rents are our common wealth", he says.

Leo suggests a Community Land Trust model to show what is possible. Council land could be provided to a Land Trust, who would lease it to families to build their homes. They would not face the almost impossible task of buying land before they can think of affording a home. Leo promotes site rating, that is, rates levied on land value only, which means ratepayers pay in accordance with the value of services provided by Council. It is a 'beneficiary-pays' system, and is fair to all. Unlike the existing system (AAV), it creates an incentive to improve our homes without being penalised through higher rates.

Site Value = Fair Value.

Site rents will lead to an upward spiral of community development, which in turn will further increase site values, thus further increasing revenue for more community development. Leo says, "There is no limit to the prosperity available to us." His views are documented on his website: www.justicetheaim.net

Leo is President of the Lenah Valley Progress Association and Vice-President of the Council of Hobart Progress Associations. He will ensure that residents' voices are fully heard, by extending greater opportunities for them to be involved in community decisions. He wants the planning system to encourage developments that foster a sense of shared purpose, so developers and residents can stand together and be proud of what they have created in co-operation. Leo says, "What is good for the hive, is good for the bee."

GEOIST WORLD NEWS

IRELAND
IMF SEEING THE CAT?

Well, well, well! Who would've guessed that the IMF would be endorsing our policies? Mind you, Mr. Ed has always maintained that it's simply a matter of time before geoism is adopted worldwide. Admittedly, it might take 10,000 years at which time decision-makers all over the world will be saying, "OK, we've tried every variation of socialism at least a dozen times and they've all failed miserably. Same goes for every variation of land monopoly capitalism, which has been tried at least a hundred times. Anarchism? – yep that was tried dozens of times in the 5th and 6th millennia. Then, because of endless poverty and conflict, most of the continents even tried going back to being hunter-gatherers in the 8th millennium, but that was even worse. There's just no use – every single economic system and variation thereof has been tried countless times, so we'll just have to try what Henry George proposed back in ancient historic times!"

Anyway, Mr. Ed sure is pleased that the IMF didn't have to go through all this before finally waking up to itself.

IMF PROPOSES A NEW PROPERTY TAX - by David Clerkin

Irish Finance Minister Brian Cowen should ignore calls for a tax give-away in the next budget and instead bring in a new property tax, the International Monetary Fund (IMF) said yesterday.

The IMF said, in its annual health-check of the Irish economy, that current tax policy needed to be changed to reduce the risk of overheating the economy. It also said the use of artificial supports that currently prop up the housing market should be curtailed.

It called for limits on property-related tax incentives, the retention of a ceiling on mortgage interest relief and a new property tax to help cool down the market. IMF directors said the Government needed to be "prudent" in its handling of the public finances in this year's budget and should hold on to any revenue windfalls instead of handing them back to taxpayers.

Other measures recommended by the IMF included linking income tax credits and tax bands to inflation to make sure that taxpayers' disposable income would not suffer in real terms. Social welfare payments and excise duties should also rise in line with increases in general price levels.

In a separate development yesterday, employers group IBEC predicted the economy would grow by 4.8% this year and 5% in 2006. IBEC senior economist David Croughan warned, however, against low increases in productivity and an over-reliance on the property sector to deliver economic growth.

The group said low interest rates would underpin solid growth and that investment and consumer spending would increase. "Our strategy is to generate more growth from higher income activities and this requires a higher level of resources going into research and development and an increased emphasis on training and education," IBEC said.

NORTH KOREA
GEOIST PLANS AFOOT

What's this? The Hermit Kingdom opening up to possible geoist reforms? Cop this:

Dear Georgists of the world,

A Georgist team in South Korea, including me, is preparing a plan for reform of North Korean land. If you are familiar with success/failure of land reform in transitional socialist countries, please let me know relevant examples, sources, and statistics.

Yoon-sang Kim
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Kyungpook National University
Daegu, 702-701 S. Korea
(Korean translator of Progress and Poverty)
yskim16@email.com

SOLAR SYSTEM
FIRM FIGHTS TO SELL MOON REAL ESTATE

"There is not a law or regulation in China that prohibits the selling of land on the moon," chief executive officer Li Jie was quoted as saying. "They don't have enough evidence to make the ruling."

The company, which calls itself the "Lunar Embassy to China", had sold 49 acres of lunar land to 34 Chinese clients within three days of opening on October 19, Xinhua previously reported, two days after two Chinese astronauts returned to Earth from the country's second manned space mission.

Just under 300 yuan ($37) was all it cost to buy a deed promising rights to one acre of dusty lunar soil and any minerals up to two miles underground until the company was accused of illegal speculation and profiteering.

The domestically financed firm is the China agent of the U.S.-based Lunar Embassy, an extra-terrestrial real estate agency aimed at exploiting what it sees as a loophole in a 1967 international treaty on the moon.

U.S.A.
DISHING THE DIRT

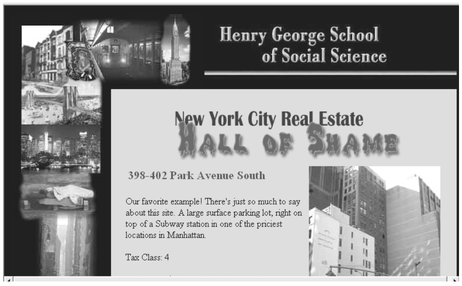
Lindy Davies and New York's Henry George School are pleased to announce that their long-promised alumni research project is finally underway. The first stage will be an exercise in unabashed muckraking: demonstrating the fanciful basis for property assessments in New York, and the mess that makes of its property tax system.

They only have five example up for now, but they're good ones, and the hope is that there'll soon be many more:

www.henrygeorgeschool.org/shame.htm

For the background on the NYC property tax system: www.henrygeorgeschool.org/taxquestions.htm

And the school's discussion board, where all are welcome to stop by, is simply www.henrygeorgeschool/discuss



UKRAINE
DISASTER → GEOIST REFORMS?

A number of factors have combined to bring Ukraine to the verge of a major farming disaster, according to a number of agricultural leaders who say that the drought during a critical growth stage of winter wheat that will be harvested in late summer 2006 means a bad year next year for farm income, grain exports and the state budget, according to a story by Oksana Bondarchuk, First News.

"This is the first time when grain crops have becoming unprofitable," said the head of the all-Ukrainian Agricultural Enterprises Union Oleksandr Borovyk. Farmers want a simpler tax scheme, which Borovyk said should be a land tax. "It is necessary to simplify this system. The state doesn't need it in the way it is today," he said.

The deputy general director of the Ukrainian Agrarian Confederation, Mykola Vernytskyi stressed that deputies should pay special attention for developing the market and creating conditions for attracting investments. Market growth should come from directing budget money to "the complex development of an environment for agricultural business," and not to state subsidies as it is now, according to him.

THE WEB
NEW GEORGIST WEB SITE

Here's news of a terrific website that mightn't be big on style but is mighty big on substance. In fact, it's a massive treasure trove which documents a wealth of accumulated articles and references. For serious Truth Seekers, here's your one-stop-shop where you'll find categories such as:

- Essential Documents
- Themes
- Lighter Stuff and Background Material
- Some Georgist Websites
- Further Reading

It's called "Wealth and Want", and was recently created by Wyn Achenbaum being the product of years of data collection, organizing and arranging to make an adaptable yet thorough presentation of Georgist ideas. Wyn invites your comments and suggestions.

So jump on the web and vi sit www.wealthandwant.com .

And we might as well mention another initiative of the busy Wyn, who's created a new Georgist email discussion list, called Geo-Law. Info is at http://lists.topica.com/lists/Geo-Law/prefs/info.html. To subscribe, send an email to Geo-Law-subscribe@topica.com. This was an outgrowth of discussions at the American CGO meeting in Philadelphia.

IRAQ
THE GREAT OIL RIP-OFF

Here's a worthy little bulletin (Ed's underlining) from War On Want, which are starting to catch on to the geoist message.

Control of Iraq's future oil wealth is being handed to multinational oil companies through long-term contracts that will cost Iraq hundreds of billions of dollars, according to a new report published this week.
"Crude Designs: The Rip-Off of Iraq's Oil Wealth" reveals that current Iraqi oil policy, dictated by outsiders, will allocate the development of at least 64% of Iraq's reserves to foreign oil companies. Iraq has the world's third largest oil reserves.

Figures published in the report for the first time show:

- the estimated cost to Iraq over the life of the new oil contracts is $74 to $194 billion, compared with leaving oil development in public hands. These sums represent between two and seven times the current Iraqi state budget.
- the contracts would guarantee massive profits to foreign companies, with rates of return of 42% to 162%.

The kinds of contracts that will provide these returns are known as production sharing agreement (PSAs). PSAs have been heavily promoted by the US government and oil majors and have the backing of senior figures in the Iraqi Oil Ministry. Britain has also encouraged Iraq to open its oilfields to foreign investment.
However PSAs last for 25-40 years, are usually secret and prevent governments from later altering the terms of the contract.

Crude Designs lead researcher, Greg Muttitt of PLATFORM, said: "The form of contracts being promoted is the most expensive and undemocratic option available. Iraq's oil should be for the benefit of the Iraqi people, not foreign oil companies."

The new Iraqi constitution opened the way for much greater foreign involvement in Iraq's oilfields. Negotiations with oil companies are already underway, ahead of elections in December and prior to the passing of a new Petroleum Law. This report calls for full and open debate in Iraq about the way oil resources are to be developed, not 30-year deals negotiated behind closed doors.

Mr. Muttitt adds: "Iraq's institutions are new and weak. Experience in other countries shows that oil companies generally get the upper hand in PSA negotiations with governments. The companies will inevitably use Iraq's current instability to push for highly advantageous terms and lock Iraq to those terms for decades."

Andrew Simms, Policy Director at the New Economics Foundation (NEF) says: "Over the last century Britain and the US left a global trail of conflict, social upheaval and environmental damage as they sought to capture and control a disproportionate share of the world's oil reserves. Now it seems they are determined to increase their ecological debts at Iraq's expense. Instead of a new beginning Iraq is caught in a very old colonial trap."

Louise Richards, Chief Executive of War on Want, says: "People have increasingly come to realise that the Iraq war was about oil, profits and plunder. Despite claims from the politicians involved that this is a conspiracy theory, our new report gives detailed evidence to show that Iraq's oil profits, far from being used to alleviate some of the suffering the Iraqi people now face, are well within the sights of the oil multinationals."

KOREA

OECD REPORT ON PROPERTY TAX

South Korea's property tax is the second highest among advanced economies, reaching nearly 12 percent of total tax revenue, according to the Organization for Economic Cooperation and Development (OECD).

Its property taxes accounted for 11.8 percent of its total tax revenue in 2003, the second highest among the 30 OECD member economies, just behind the U.S. with 12.1 percent. Korea's figure is more than twice the OECD average 5.6 percent.

The United Kingdom ranked second with Korea with 11.8 percent, followed by Japan with 10.3 percent, Canada with 10 percent and Australia with 9.5 percent. Property taxes include taxes levied on holdings or transactions of real estate and financial assets, as well as gift and inheritance taxes.

"Property tax rates in Korea are lower than in other advanced nations, but the property tax burden has remained relatively high because the nation's real estate prices are high compared to national income level due to the high rate of property transactions,'' a tax expert said.

Consumption-related taxes, including value-added taxes, special excise taxes and customs duties, took up 37.1 percent of total tax revenue, higher than the OECD average of 32.1 percent, according to the OECD. Korea's consumption-related taxes are the sixth highest in the OECD, behind Mexico with 52.5 percent, Turkey with 49.5 percent, Iceland with 41 percent, Hungary with 39.4 percent and Ireland with 38.4 percent.

The ratio of individual and corporate income taxes to total tax revenue stood at 28 percent, well below the OECD's average of 34.4 percent. The so-called national tax burden, the taxes and social security people pay to the government, was equivalent to 24.6 percent of gross domestic product (GDP) in 2003, the second lowest in the OECD and just ahead of Mexico with 18.5 percent.

Sweden topped the ranking with a national tax burden ratio of 50.7 percent, followed by Denmark with 49.6 percent, Belgium with 45.6 percent, Norway with 44.9 percent and Finland with 44.3 percent.

Social security contributions include quasi-taxes, such as payments to the country's public pension fund, health insurance premiums and other payments to a social safety net

THE WHOLE PLANET

WHERE THE LOOT IS HIDDEN

John Christensen of the Tax Justice Network, a former adviser to the Jersey government, says that more than 50% of the cash holdings of rich individuals in Latin America is now held offshore and that some 30% of the GDP of sub- Saharan African nations disappeared offshore in the second half of the 1990s. The situation in the Middle East and north Africa is even worse. Since the 1980s, banks have targeted the world's roughly 8 million "high networth individuals" and encouraged them to hide their funds offshore. As a result, around $11.5 trillion of their assets are now in tax-free or protected havens.

Six out of 10 US corporations pay no tax, and the recent Enron scandal demonstrated how cynically major household names in the US exploit the system. Enron used around 800 different "Caribbean financial dumps" to hide its debts.

Of course, nobody can hide land under the carpet or offshore to avoid land value taxation – is it any wonder why the plutocrats and kleptocrats have so fiercely killed off geoist proposals?

U.S.A.

EXPOSING THE GIVE-AWAYS

Ed: Here's a report from an interesting outfit called the Green Scissors Campaign, a coalition that publicises corrupt and wasteful government activities that harm the environment. Insofar as they recognise that the full value of the Common Wealth belong to society, they're starting to get the geoist message.

Representative Pombo (R-Calif.) is at it again. The champion of the useless $10 billion road known as "Pombo's Folly" is now trying to "balance" the federal budget by practically giving land away to the mining industry. Rep. Pombo's bill, being considered as part of the budget process, manages to worsen the already antiquated 1872 Mining Law, already famous as the granddaddy of all giveaways.

Signed into law by President Ulysses S. Grant, the 1872 Mining Law governs metal mining on federal public lands. The law allows private companies to buy or patent lands containing valuable minerals, including gold, silver, and uranium, for $2.50 - $5 per acre, (1872 prices, that have never been changed!) without paying a royalty. According to Earthworks, since 1872, more than $245 billion worth of mineral-bearing public lands have been "sold" at these below-market, 130 year old rates -- a land area equivalent in size to the state of Connecticut.

Mining has left a legacy of more than 500,000 abandoned mines in the United States that will cost taxpayers between $32 and $72 billion to clean-up. The mining process itself scars the land through open pit mining, and uses chemicals such as cyanide or sulphuric acid to extract scarce minerals from rock. In 1994, Congress placed a moratorium on the patenting of federal lands to halt this environmental damage, mitigate increasing clean-up costs, and put an end to the divesting of taxpayers' resources at wasteful prices.

If Rep. Pombo has his way America's public lands will be back on the auction block at bargain basement prices. Pombo's plan would sell off public lands to mining companies for $1,000 an acre or so-called "fair market value." This is quite a bargain, since many of these lands, if they contain minerals, are worth billions. In addition, the proposal erodes already weak requirements that must be met before the federal government gives away the public land, enshrining an absurd "right to mine" on public lands.

Rep. Pombo's bill also contains a back door provision to legalize land fraud. The bill allows insiders to stake a claim and purchase land -- without having to prove that it contains minerals. This would enable developers to buy land on the cheap and sell it for ski chalets or high-rise condos the next day.

Rep. Pombo's bill also does an end run around regulatory process by specifically giving away two mineral leases: a 7,000 acre claim in Pershing County, Nevada to Coeur Rochester, Inc., and 520 acres in Custer County, Idaho to TDS LLC, an affiliated company of L&W Stone Corporation. Coeur Rochester, Inc. claims to be the world's largest primary silver mining company with more than $322 million cash on hand at the end of 2004. The L&W Stone Corporation is a self proclaimed industry leader in producing natural stones. The larger mining companies that could benefit from the changes in law include Newmont, AngloGold, Barrick, Gold Fields, and Placer Dome. These companies had net earnings of $443 million, $100 million, $248 million, $111.3 million and $284 million, during 2004 respectively.

If Rep. Pombo is serious about deficit reduction, he should impose a royalty on mineral producers, like those paid by the oil, gas and coal producers, of 8 to 10 percent. This royalty could raise more than $350 million over the next five years, surpassing the $155 million that Rep. Pombo's provisions raise. Congress should also repeal or modify two tax breaks for mining companies that will cost taxpayers more than $1.2 billion over the next five years. If mining companies are paying little or nothing for their land and not paying royalties, why are they getting tax breaks?

THE WEB

AUSSIE BIOGS

That indefatigable chronicler, Ed Dodson, is in the process of coding updates to his biographical history project, and is just finishing the Australia section. Ed could sure use some feedback from a few of the old timers down under to help fill in gaps and correct mistakes. It'll all going up on Ed's awesome website – www.cooperativeindividualism.org - visitors will be able to go there and click on articles and also photos, where available.

Contact Ed for further details at ejdodson@comcast.net

"He's spending a year dead for tax reasons."

- Douglas Adams, The Restaurant at the End of the Universe

WHAT YOU CAN DO

You enquirers:

READ geoist literature. The 3 information kits (available from our office, for no charge) will explain the basics. We have a bookshop and, for members, a library. Perhaps the most readable and accessible of Henry George's works is *Social Problems* – you won't be disappointed!

QUESTION what you read! Contact any of the execs listed on the contact page (by phone or email) and state any doubts or difficulties in understanding. Hey, geoism is a major paradigm shift in understanding how the world goes round – almost everyone struggles with it in the early stages.

STUDY online – go to www.henrygeorge.org and choose from a range of courses. It's a standard correspondence-course format with enrolled students being assigned individual instructors, with whom they correspond throughout the course and, usually, through further courses in the program.

You who are a bit further down the road – the above, plus:

ATTEND some of our meetings, both social and serious. Our monthly executive meetings are open for all to attend. Meeting in the flesh enables your questions to be much better answered.

DISSEMINATE the good word. Mention to friends and family who appear interested that Proz Oz offer a complimentary trial subscription to *Progress*, and inform the office of their postal addresses.

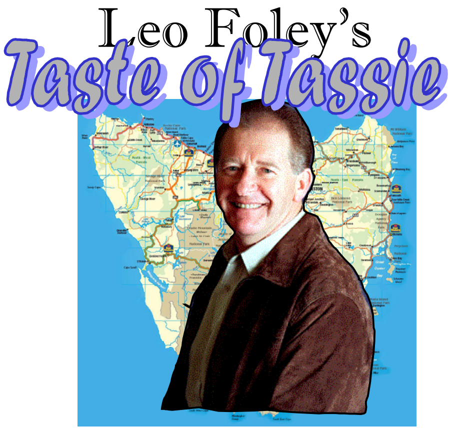
WRITE letters to newspapers – contact Mr. Ed for any advice you may require on this.

You Cat-Seers – the above, plus:

SUGGEST how we can carry the movement forward. We know (or think we know) how to solve countless planetary problems. but we're amateurs in actually getting the message out there.

NETWORK with other organisations, and put them in touch with us.

VOLUNTEER your skills and energy. There are endless ways you can help us and, along the way, get to know our organisation better. For instance, the office always needs filing, I.T. skills (any website designers out there?), bookkeeping, reception work and just about anything you can offer. Members for 2+ years are welcome to join our executive.



Mr. Ed and K2 have just been down to Tassie to hook up with Leo Foley, and are hugely encouraged by the work he's doing on his campaign for election to the Tasmanian Parliament in 2006. Let's hear it from Leo himself:

In previous issues, I have outlined my intention to stand for the State Parliament in Tasmania on a Georgist platform. I have also outlined the fortuitous political circumstances that make my election possible. The details of my campaign will be available at: http://www.justicetheaim.net/ Web surfers will find my recent campaign for election to the Hobart City Council on that site now. *(Ed: Leo very narrowly missed out on a council spot, but this has freed him up to go for state parliament).*

In this issue, I'm asking for your financial support, so its fair that you should know a little more about me and why I am embarking on this course.

MY CIRCUMSTANCES

- My personal circumstances fortuitously allow me to launch a political campaign in 2005/2006. It is not the Parliamentary career that I seek, but the promotion of Georgism in Tasmania. If there was another candidate available, I would be more than happy to take a back seat and support that candidate. But there is no-one else available.
- In recent years, I have conducted a 'Letters to the Editor' campaign locally, always on the theme of Land Value Taxation, but more recently using the term "Resource Rents for Revenue".
- There is genuine goodwill for my beliefs and an underlying acceptance of the problems associated with speculation in land, although that does not extend to a wide understanding of economic rent or the injustice of monopoly land ownership. There is considerable concern about absentee (mainland) landlords buying up the best spots in Tasmania, enough for the Georgist argument to gain traction.
- I am a member of the Labor Party, having joined some years ago solely to promote Georgist ideas within the Party. I have never before contemplated a political career, but, as it happens, I meet all Party qualifications for endorsement.
- I believe my efforts are best directed within the Labor Party. Essentially, however, I am a Georgist, and seek to work cooperatively with all other Parties and candidates to promote Resource Rents for the betterment of our society. The Labor Party is the vehicle I have chosen. I cannot guarantee that it will choose (preselect) me.
- If I am not preselected, I will stand for election independently on a Georgist platform.
- The circumstances happen to have converged to make the possibility of election more than a pipe dream. I would not be doing justice to my passion for the Georgist cause to allow the opportunity to pass without giving it my best effort..
- There will be no second chance. The following state election will be held in 2010. By then, I will be 60, and I would be most unlikely to be preselected, or elected at that age. That is sad, but unfortunately true of our system.
- Of course, election is not guaranteed, but even an unsuccessful campaign espousing Georgist ideas, and pointing out the failings of the current system, will give Georgism exposure that is not currently possible in Tasmania.
- In that case, my hope is that Georgist ideas would be picked up by a younger, future candidate, who would carry the ideas forward into future political campaigns. The notion of educating the next generation, and 'passing the baton' has been my focus in Tasmania during the past 5 years. A Parliamentary campaign is just an alternative way of promoting the cause. But I would enter the race intending to win. I think it is possible.

The State Secretary of the Labor Party advises that a moderate campaign will cost $15000. There is no money available from the Party for individual candidates. Labor's Head Office will fund only generic Labor advertisements and expenses.

I do not want a 'moderate' campaign. I see no point in that. With only one shot in my locker, and with no real public profile, I need an ostentatious campaign. That will cost money. I expect that I will need at least $30000. Of course, I will contribute some of that but at least half will have to be raised through supporters, principally Georgist contacts.

In recent years, land-owning Georgists have increased their wealth, in line with the rest of the community, by the explosion in land prices. They will have enjoyed a windfall gain of $100000 or more. While that represents only a paper gain for some, others will be able to cash in and realise significant actual gains. My campaign fund would welcome any donation, but I think 1% of that unearned increment is a reasonable request. $1000 is still a lot of money, it is true, so any lesser donation will be welcomed. $100 will help!

Any additional funds, in excess of the anticipated $30000 campaign fund, will be used to open a shopfront 'election office' in one of the vacant shops in Hobart. I will need help with my campaign, so if sufficient money is available, I want to subsidise fellow Georgists from Melbourne and Sydney to travel to Hobart to assist me. Ideally, I'd like to open a HG coffee shop, with Georgist literature available for customers to read at their leisure. That could be a longer term venture.

Lest anyone thinks that I would be 'feathering my own nest' on contributions of fellow Georgists, I pledge to keep full accounts and open books for any donor to examine. I also pledge to contribute 25% of my Parliamentary salary to the Georgist cause, to revitalise the movement in Tasmania (or, if that is not possible, to assist promotion in other States through the Henry George Foundation). My interest in running for election is the promotion of the Georgist message. I seek your donation for my campaign, but you might equally consider it as an investment in future Georgist promotion.

The money I have already raised and been pledged allows me to enter the race; it is now important to fund a winning campaign. It is in that vein that I make my request. To put costs into perspective, campaign costs could be:

$15000	Basic campaign	Posters, brochures, leaflets for letterboxing, and small newspaper ads
Extra $15000	TV campaign	Radio and TV commercial – 30 second;
Extra $5000	Newspaper Inserts	One-page insert throughout Hobart (once only)

Radio, TV and newspaper campaigns would have the advantage of taking the message to a wider audience than just the Denison electorate.

I would be pleased to expand on this letter, and the potential for advancing the Georgist cause through the political process. Please feel free to discuss any part of it with me. I will draw on the experience of fellow Georgists in developing my policies, and will value comments on any of my thoughts put forward, before they enter the public arena. My website can be used for that purpose.

I look forward to hearing from you, with a any offer of a contribution. I can be contacted at 31 Brushy Creek Rd., Lenah Valley, Tas 7008 or http://www.justicetheaim.net/ or foleo55@bigpond.net.au

OREGON TAX PLANK SUBMISSION TO GREEN PARTY USA PASSED BY OREGON GREEN PARTY COORDINATING COMMITTEE

"Mr. Geonomics", Jeff Smith (an Oregonian), drafted and had passed this enlightened set of principles

All members of society are obliged to contribute to its well-being, via taxes or other duties. We violate this portion of the social contract when we let the wealthy pay less than their fair share and worse, when the public treasury pays them! On the other hand, we recognize that taxes are not all equal; some cost more than others to collect, to account for, and leave less for later investment and employment, depending on what gets taxed.

Taxes suggest taking. Let's remember that there is a commonwealth that belongs to us all in general. The commonwealth includes more than the environment but also "rent", which is the money we spend on the nature we use. Sharing the commonwealth is not a taking. Indeed, letting commonwealth fall into a few individual pockets constitutes the real taking.

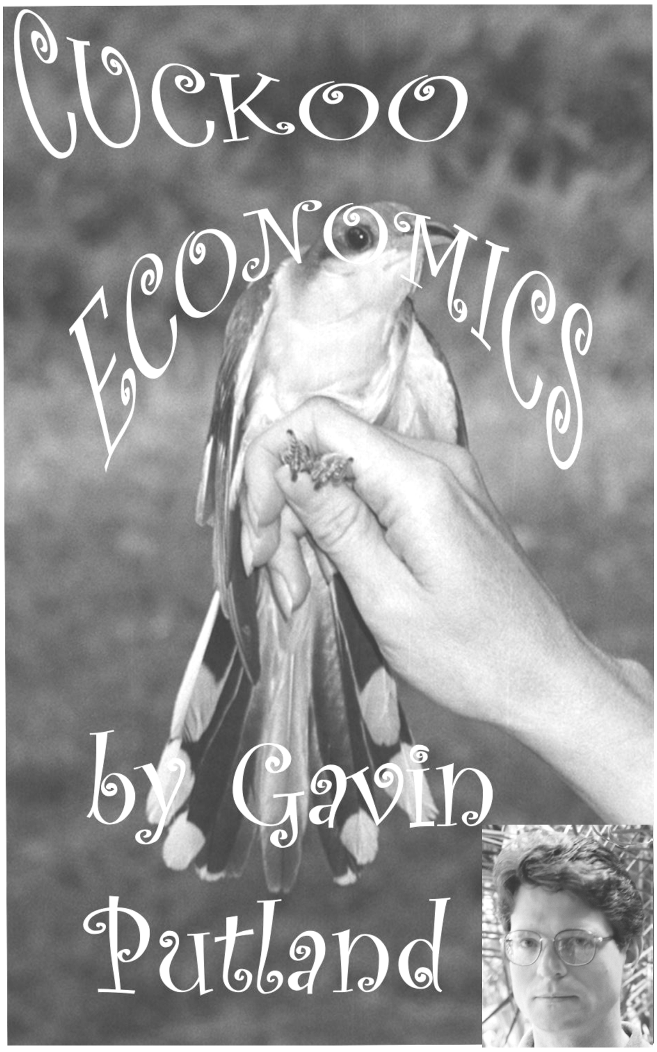
To redirect this flow of money from a few pockets to many, we could levy a tax or user-fee or land dues, then pay citizens a dividend. At the same time that we collect rents, rather than hinder useful economic activity, we could also reduce taxes on things we do want. That is, we would shift taxes off labor -- the making of value -- to consumption -- the taking of value.

More concretely, we'd repeal taxes on buildings, earnings, and savings, and raise taxes, fees, or dues for the exclusive use of nature and for receipt of special privileges. Occupying land and the electromagnetic spectrum, extracting natural resources, and emitting by-products into the ecosystem, all reduce our common heritage. Holding corporate charters and utility franchises grants enormous economic advantage.

When society recovers these natural and social rents, it motivates users of nature to get more from less. That makes it easier to enforce zoning and other conservation measures. Wherever used, shifting the property tax off buildings, onto land-value, draws development into city centres, precluding suburban sprawl. Drawing development into city centres takes the pressure off suburban farm land, so their site value drops, as would their corresponding land dues. The vast majority of farms - farther away from urban centres - would come out way ahead. And buying seeds and tools not burdened by a sales tax saves them money, too. A replacement for agri-subsidies would be the farmers' share of recovered rents paid to all citizens.

Levying a land tax or land dues leaves owners with less site value to turn into profit. The reduced reward discourages owners and users from over-harvesting. To reduce demand for natural resources, we'd facilitate the recycling of used materials. Ending the subsidies for extractors (like logging roads and syn-fuels research) helps recyclers compete. Since re-foresting and de-constructing old buildings for wood are labor-intensive enterprises, so does de-taxing labor help recyclers compete.

Let's tolerate extraction of resources and emission of by-products that do negligible change, charge for depletion and emitting pollutants that the ecosystem can assimilate, and prohibit exhausting an ecosystem and emitting hazardous byproducts. Charges for extracting and emitting, coupled with zero taxes on labor, would let prices reflect accurately the costs of producers and the values of consumers, enabling both to save money and sustain ecosystem simultaneously. Since it is society in unison, not individuals in competition, who create the value of sites and resources, sharing recovered rent conforms to the old dictum of 'reap as you sow'. ■



Ed: Van Gogh's *Sunflowers*, "Keef" Richards' riff in *Sympathy for the Devil*, Antonio Gaudi's *Sagrada Familia* and Gavin Putland's *Cuckoo Economics* – masterpieces, all of them. Sure, it's a big call, but if you invest half an hour to read the following and still don't like it, then you just don't like home cooking! But if, as Ed expects, you agree, then contact Gavin via his website at www.grputland.com (where you'll find lots more great Putland handiwork) and he'll tell you how to disseminate it widely.

By deliberately confusing assets that can be *produced* with assets that can only be *acquired*, modern economics laid the ideological foundation for unemployment, poverty, inequality, and the looming global depression.

1. Bird brains

The history of life on earth is the history of gene wars: the genes that survive longest are those that are best able to propagate themselves. To call this **survival of the fittest** is pointless because **fitness** has no meaning apart from *ability to survive*.

The European cuckoo, for example, lays its eggs in the nests of other birds and thereby enlists the labor of other species in the propagation of its own genes. This behavior *impedes the continuation of those species whose nests are used, and does not assist the continuation of the class of birds as a whole*; but it assists the propagation of the cuckoo's genes, and no other consideration affects the measure of "fitness" of those genes or of the behavior that they produce.

If birds were endowed with conscience and reason, they might think it inequitable to use other birds' labor without compensation. They might perceive that if such exploitation is permitted, it *reduces the incentive* to build nests and feed chicks. They might conclude that birds should serve their own interests in ways that *add to the total welfare* of birds instead of merely *subtracting from the welfare of others*. So, if all birds were subject to one government, would not that government make a law against laying eggs in the nests of other birds? Not if the history of *human* government gives any guidance!

2. Counterfeit "capital"

The assets known as the "means of production" fall into two categories:

- *Assets that taxpayers can neither create nor destroy nor move out of the taxing jurisdiction* may be called **land-like** assets or **site-like** assets (where a **site** means a piece of ground or airspace, including any *attached rights* to erect buildings on that ground or into that airspace, but *excluding* any actual buildings).

- The rest — that is, assets that taxpayers can move and/or destroy and/or refrain from creating — may be called **house-like** assets.

The European cuckoo, for example, lays its eggs in the nests of other birds and thereby enlists the labor of other species in the propagation of its own genes

By this terminology, *house-like* assets used as means of production include not only buildings and other fixed structures, but also industrial and commercial equipment of all kinds (fixed or movable) and stock in trade. The great classical economists from Adam Smith (1723–1790) to Max Hirsch (1853–1909) called such assets **capital**. Because the production of house-like assets *adds to the total wealth* of humanity, and because the profits from such assets are an *incentive* to

If birds were endowed with conscience and reason, they might think it inequitable to use other birds' labor without compensation

produce the assets, capitalists advocate the private ownership of house-like assets and the private appropriation of profits derived therefrom.

Land-like assets include not only sites, but other natural resources (which cannot be created by human effort), statutory monopolies and limited licenses (which can be created only by governments), and the so-called **natural monopolies** enjoyed by providers of networked services such as electricity, gas, water, railways, and (at the time of writing) telecommunications [1]. Returns on land-like assets, net of the demands of labor and capital, are known as **economic rent** [2]; owners of such assets constitute the **rentier** class. The term "rentier" should be understood as *functional* rather than personal, because the same person may perform more than one economic role. (For example, one man may be a worker *and* a capital owner *and* a rentier — and, under present arrangements, may lose more in the first two roles than he gains in the third.)

From the viewpoint of taxpayers, land-like assets cannot be *produced*, but can only be *acquired*. Such acquisitions do *not* add to the total assets of humanity. Furthermore, while the returns on labor and capital applied to a land-like asset are incentives to apply that labor and capital, the return on the asset itself (net of the demands of labor and capital) is *not* an incentive to do anything except acquire the asset; indeed, the party acquiring the asset need not be the one applying the labor or capital. Therefore the argument by which capitalists rightly defend the private ownership of house-like assets and the private appropriation of the returns on house-like assets is *not applicable* to land-like assets. But they apply it anyway!

3. Bait and switch

Because land-like assets by definition are protected from competition, the returns thereon are high and increase in line with economic growth, giving the owners both the motive and the means to fight for the retention of "their" economic rents. In the late 19th century, when economics was becoming established as a separate academic discipline, rentiers were well represented on the trustee boards of certain prestigious American universities, whose endowments, moreover, consisted chiefly of land grants. And there was no academic tenure: professors who did not do the bidding of their paymasters could be fired without process or redress.

So *the language of economics was corrupted so as to conflate land with capital, economic rent with profit, and acquisition with production*, in order to obscure the advantages of a selective tax on land-like assets [3]. As the unit of heredity is the selfish gene, which is no less "fit" if it propagates purely at the expense of other genes, so the unit of economic analysis became the selfish **entity** (individual or firm), which was no less praiseworthy if it prospered purely at the expense of other entities. It was as if the cuckoos, being relieved of the burden of building nests, had used their discretionary time to convince other birds that any restriction on the laying of eggs in other birds' nests would discourage the *building* of nests!

And there was no academic tenure: professors who did not do the bidding of their paymasters could be fired without process or redress

By calling itself **neo-classical** economics, the new pseudo-science masqueraded as the successor, though in fact it was the usurper, of the classical tradition. Within a generation it became the new orthodoxy.

4. The preferred enemy

The obvious winners under the neo-classical paradigm were the rentiers; for if land-like assets were capital, then capitalism, which demanded private ownership of capital and private enjoyment of profit, implicitly also demanded private ownership of land-like assets and private appropriation of economic rent.

The other winners, whether by accident or by design, were communists! For if land was nothing but capital, then communism, which began by demanding expropriation of land, was obliged in the name of "consistency" to demand expropriation of *all* forms of capital, enabling the revolutionaries to eschew intellectual distinctions between categories of assets and stir up the masses by appealing to crude envy.

The conflation of land with capital did not *precede* these developments in capitalism and communism, but it offered a false conceptual framework that was willingly adopted by both rentiers and communists to entrench their respective positions and deny the existence of any intermediate

So, if all birds were subject to one government, would not that government make a law against laying eggs in the nests of other birds? Not if the history of human government gives any guidance!

position. It was as if the cuckoos, in order to protect their legal right to lay eggs in other birds' nests, had colluded with a gang of avian revolutionaries who wanted to expropriate all nests and raise all chicks in common!

5. "Natural" unemployment

As the rentiers and their economists have forbidden heavy taxation of economic rent, governments are compelled by default to impose punitive taxes on work, investment, employment, and the consumption that sustains demand — in short, on everything that capitalism professes to encourage. All these taxes socialize the fruits of individual effort — as communists recommend. They also increase the cost of hiring a worker at a given standard of living, and consequently tend to increase inflation or unemployment or both. Central banks fight the inflationary tendency by raising interest rates (or otherwise restricting credit) to discourage hiring and consumption, causing yet more unemployment, in order to maintain unemployment at the so-called **natural rate**, which the neo-classicists define as the minimum unemployment rate that causes sufficient downward pressure on wages to yield stable inflation.

Thus, for the neo-classicists, unemployment is *not* an evil to be avoided, but the price of ensuring that rentiers can enjoy their economic rents with minimal interference from the tax authorities.

Obviously politicians cannot admit the "need" for a certain rate of unemployment. They must always pretend to want full employment, and will be judged on their success in reducing unemployment during their terms of office. Given that the central bank will maintain unemployment at the natural rate, the *actual* rate cannot be reduced except by reducing the *natural* rate. And if, due to opposition from the rentier class, the natural rate cannot be reduced by shifting the tax burden onto economic rent, the only remaining method is to make life more difficult for the unemployed, increasing the desperation of the unemployed to get jobs and of the employed to keep them, so that *the same downward pressure on wages can be obtained with a smaller number of unemployed*. Having a smaller number of more desperate unemployed does not reduce the overall severity of the problem, but makes the statistics look better. Hence we see "mutual obligation" policies including one or more of the following:

- Idlers are compelled to seek jobs and consequently *take jobs from people who want to work.*
- Job-seekers are compelled to submit certain quotas of job applications per week. This keeps them busy, forces them to incur expenses, and *artificially intensifies the competition for jobs* — the implication being that the scarcity of jobs, by itself, does not cause sufficiently cut-throat competition.
- Unemployed people are compelled to "work for the dole" *and* submit quotas of job applications. They are *not* hired as ordinary employees to do the same work for the same hours at the same cost to the government — because if they were, they would no longer have to apply for other jobs.
- The dole is cut off after a certain time.

*By calling itself **neo-classical** economics, the new pseudo-science masqueraded as the successor, though in fact it was the usurper, of the classical tradition*

To defend such policies, governments must cultivate the myth that unemployment consists in unwillingness to work, whereas in fact unemployment, by definition, is an *oversupply* of willing workers relative to the available jobs. Here it may be instructive to note that the closest human analog of the cuckoo is the man whose illegitimate children are supported by the husband of his mistress. Etymologically, "cuckoo" and "cuckold" ought to be synonymous. Yet it is the husband of the adulteress, not her partner in adultery, who is called the cuckold!

6. All-devouring rent

No worker can live, and no enterprise can trade, without occupying space on the surface of the earth. Yet all the usable space is owned. So the rents and prices of land are competed upward, and the returns to labor and capital are consequently competed downward, until the returns to labor (net of the cost of access to residential land) are reduced to the minimum for which workers will "consent" to acquire skills, work, and raise the next generation of workers [4], while the returns to capital (net of the cost of access to commercial

governments are compelled by default to impose punitive taxes on .... everything that capitalism professes to encourage

land) are reduced to the minimum for which the financiers will consent to save and invest. *Every direct improvement in the condition of the working class or the employing class is competed away in the land market*, so that the ultimate benefit accrues not to the nominal recipient, but to the cuckoo in the nest: the land-owning class.

That is why the ever-increasing sums handed out in wages, welfare, charity, and industry assistance never seem to be enough. But because the real reason is not widely understood, the rentiers and their economists can easily blame the nominal recipients for allegedly squandering the assistance given to them. It is as if the cuckoos, having laid their eggs in other birds' nests and taxed all the birds to help feed the cuckoo chicks, explained the host birds' lack of reproductive success by accusing them of wasting the food!

The effective demand for land-like assets tends to increase due to population growth (which increases competition for use or acquisition of assets), economic growth (which increases capacity to pay for the assets), and improvements in technological infrastructure (which increases the amenity of certain types of assets, especially sites). But, as the assets are land-like, this additional demand cannot be offset by additional supply. So *land-like assets tend to appreciate in real terms*. This causes **speculative demand** for land-like assets as individuals and corporations buy assets in the hope of reselling them for higher prices, or try to save money by early acquisition of assets that they intend to use later. The speculative motive raises prices because all buyers must compete with the speculators. Worse, assets held by speculators are likely to be unused or underused because the owners are not yet ready to use them, or because the owners wish to avoid commitments that would fetter their ability to sell at the most opportune times. This effect raises not only prices, but also rents, as not only buyers but also renters must compete with the speculators.

A sufficiently heavy tax on the holding of land-like assets requires the owners to use the assets efficiently in order to generate sufficient income to cover the tax. That is enough to eliminate the price and rent premiums caused by the non-use and under-use of speculatively held assets. In this case — and only in this case — the benefit to workers and owners of capital is *not* competed away in the land market, because it arises from reduced competition for land!

Rentiers and their economists agree that such a tax is a bad idea, but disagree as to the reasons. Some, who seem never to have looked out the window of a bus or train, flatly deny that the culture of speculation leads to non-use or under-use of land. Others pretend that such non-use or under-use is socially desirable in that it prevents any initial use that would interfere with conversion to a higher use at the optimal time, as if the initial use were not desirable in itself, and as if the higher use would not interfere with conversion to a still higher use at a still later time — yea, as if the cuckoos were helping other birds by giving them time to become better parents!

for the neo-classicists, unemployment is not *an evil to be avoided, but the price of ensuring that rentiers can enjoy their economic rents*

7. "Free" trade

The neo-classicists claim that income tax is compatible with "free" trade because it is "non-discriminatory" between domestic and international transactions. Never mind that the tax on export income raises export prices as if it were a tariff in every country of destination of those exports. Similarly, they claim that a value-added tax (VAT) or goods-and-services tax (GST) is compatible with "free" trade because it is finally paid in the country of consumption and is "non-discriminatory" as regards the country of origin. Never mind that the VAT/GST on imports raises their prices as if it were a tariff. Never mind that the same tax inflates export prices through its compliance costs and its influence on the cost of living, hence wages. Never mind that as long as taxation is "non-discriminatory" by the neo-classicists' definition, trade can be taxed to the point of prohibition and still be considered free!

In fact, *all* taxes on house-like assets impede trade and raise prices by discouraging the production of such assets, while *all* transaction taxes impede trade and raise prices by discouraging transactions.

Some, who seem never to have looked out the window of a bus or train, flatly deny that the culture of speculation leads to non-use or under-use of land

The only taxes that do not impede trade or raise prices are holding taxes on land-like assets. The economic rents of such assets are *not incentives* to produce anything. So as long as the holding taxes take no more than the annualized economic rents, they cannot restrict the supply or raise the price (or hire or rent) of any product or asset.

Hence, *by collecting more of its public revenue from holding taxes on land-like assets, and less from other taxes, a country can make itself more competitive.* This of course would compel other countries to do likewise. So the rentier class and its economists are constantly on guard to ensure that no country is the first to take this step; they know that the price of freedom (from the need to work for a living) is eternal vigilance [3, pp.237–260].

8. The cause of recessions

In a *rational market*, the **capitalized** (or "lump-sum") value of a land-like asset is the **discounted present value** of the future rent stream. (That is, the capitalized value is the lump sum that would yield an interest stream equal to the rent for the same risk, or the sum of the future rental payments individually discounted for time and risk.) But the market is not always rational. When assets of a certain type are conspicuously appreciating, people want to buy them. In so doing, they accelerate the rise in prices, inducing more people to buy the assets, and so on, causing a speculative **bubble** — that is, a state in which prices are decoupled from rents and are supported solely by the circular argument that prices will continue to rise. Eventually the illusion becomes unsustainable and the price rise slows down, which takes away the alleged justification for current prices, and so on, until prices dive back to earth: the bubble "bursts". But eventually the natural appreciation of land-like assets leads to a new bubble in the same asset class. So the market for any land-like asset class is **cyclic**.

*a speculative **bubble** .... is a state in which prices are decoupled from rents and are supported solely by the circular argument that prices will continue to rise*

A bursting bubble in a particular asset market has two counteracting effects. On the one hand, it drives investors away from that asset class and, by default, towards some other asset class that may also be susceptible to bubbles. On the other hand, those who have invested heavily in the collapsed market have to reduce their expenditure, and some become insolvent. As one agent's expenditure is another's income, and as one agent's debt is another's asset, a chain reaction ensues, reducing the funds available for investment in other asset markets, possibly causing them to collapse, and so on; these are the ingredients of a recession. After an isolated bubble-burst, the former effect tends to dominate; thus the stock-market crash of 1987 led to a land bubble. But after a second burst in quick succession, the cumulative belt-tightening and bad debt tend to cause a recession; thus the land burst of 1989 led to the recession of 1990–91.

In short, a burst in one asset market interferes with the cycles of other markets, sometimes pushing them out of synchronism by encouraging bubbles, and sometimes drawing them into synchronism by triggering further bursts (and a recession). This mutual interference, complicated by external shocks, makes it difficult to discern the autonomous cycles of some asset classes, and causes irregularities in cycles that can be more easily discerned. The clearest cycles are the *residential land cycle* (typically 9 years in duration) and the *commercial land cycle* (typically 18 years). A bursting land bubble is the most reliable *single* predictor of a recession; in particular, the global recessions of 1974–5, 1981–2, and 1990–91 were heralded by bursting "property" bubbles, i.e. land bubbles [5].

A sufficiently heavy holding tax on land-like assets would *prevent recessions by preventing speculative bubbles*. If the tax were based on capitalized values or changes in capitalized values, it would force speculators to consider the tax implications before bidding up prices. If based on changes in *annualized* values, it would directly reduce the changes in after-tax rents that translate into speculative gains; in particular, if it were to take *all* real increases in rental values, it would prevent real increases in capitalized values and thereby *entirely* eliminate the speculative motive.

The first years of the 21st century were marked by a *global* property bubble. The inevitable burst began in Australia in early 2004. It has spread to the British Isles and Europe, and

> Given that the value of the U.S. dollar must fall, nobody wants to be the last sucker holding dollars

in due course must reach the United States. Although this global bubble was confined to "housing" (i.e. residential land), it was the *biggest asset bubble in history* in terms of the combined GDPs of the affected countries [6] — and that measure fails to account for the number and economic weight of the countries involved. The bigger the bubble, the bigger the burst. The bigger the burst, the bigger the recession.

But even that is understating the problem.

9. The U.S. dollar bubble

As the money supply is controlled directly or indirectly by government, money is a land-like asset and a component of the so-called interest of money is economic rent. This economic rent accrues to those who merely *possess* money. What of those who also *create* it?

For half a century the U.S. dollar has been the *de facto* international currency. Importers need reserves of dollars to pay their suppliers. Central banks need reserves of dollars to protect their currencies. Poor countries must borrow dollars to get capital, and must earn dollars to service their debts.

Hence the growth in international trade causes growth in the global demand for U.S. dollars, allowing the U.S. to export dollars — which cost nothing to produce — and receive real goods and services in return. That is how the U.S. manages to import 50 percent more goods and services than it exports. When the exported dollars are invested, they can be invested only in U.S. assets, creating a demand for U.S. Treasury Bills without high interest rates, and inflating the price/earnings ratios of U.S. property, stocks, and bonds.

This inflow of investment creates a surplus on the **capital account**, which balances the deficit on the **current account** (including imports, exports, interest, rent, and dividends).

The U.S. dollar is also the dominant currency — and until November 2000 was the exclusive currency — for international trading in *oil*. Therefore any increase in the global demand for oil *or the price of oil* causes a corresponding increase in global demand for the U.S. dollar and boosts its value, protecting the U.S. economy against the inflationary effect of higher global oil prices and allowing the U.S. to increase its trade deficit. Hence the reinvestment of exported dollars in U.S. assets is sometimes called **recycling of petrodollars**.

One consequence of this recycling of petrodollars is that the value of the dollar is out of proportion to its earning capacity (interest on dollars, or yields on other dollar-denominated assets). That is one characteristic of a *bubble*.

After 1971, when the U.S. dollar ceased to be backed by gold, the dollar's position as the world currency became increasingly dependent on its use in the oil trade, so that the argument supporting the dollar became circular: dollars would buy oil *because* oil exporters would accept dollars *because* dollars would buy other products *because* exporters of other products would accept dollars *because* dollars would buy oil! Valuation by circular argument is another characteristic of a *bubble*.

One thing that could burst the bubble is a credible alternative to the dollar — such as the euro.

10. Rogue states

> there will be a multiple burst involving not only the global property bubble, which is already deflating outside the U.S., but also the U.S. dollar bubble and every other asset bubble that has been pumped up by recycled petrodollars.

Iraq began selling oil for euros instead of dollars in November 2000. When Iraqi oil exports resumed after the U.S.-led invasion, payments were again in dollars [7].

Iran expressed interest in the euro from 1999, and had converted most of its currency reserves to euros by late 2002. In 2003, Iran began accepting payment in euros for oil exports to Europe and Asia. In mid 2004, Iran announced that it would establish a euro-denominated international oil bourse (exchange), which is now due to start trading by March 2006 [8,9]. George W. Bush named Iran in his "axis of evil" in

January 2002. If Bush's speech was designed to revive the flagging fortunes of extremist candidates in Iranian elections, it could hardly have been more successful: on October 26, 2005, Iran's newly elected President Mahmoud Ahmadinejad, quoting the late Ayatollah Ruhollah Khomeini, declared that "Israel must be wiped off the map."

This economic rent accrues to those who merely *possess* money. What of those who also *create* it?

Since September 2000, Venezuela and 13 other Latin-American countries have entered into barter agreements whereby Venezuela sells oil for goods and services instead of dollars. In April 2002, editorials in the U.S. media welcomed news of a coup against Venezuela's elected President Hugo Chavez; but the coup collapsed after two days [10,11]. In mid 2005, Venezuela decided to move its currency reserves out of U.S. banks and liquidate its investments in U.S. Treasury securities. By early October, about 60 percent of its reserves had been converted to euros [12]. The U.S. may threaten Iran and Venezuela; but if Russia and Norway start selling their oil for euros, the U.S. will have to take it on the chin.

11. The Great Depression of 2006—?

Given that the value of the U.S. dollar must fall, nobody wants to be the last sucker holding dollars. Therefore any perception that the crash is imminent will trigger selling of dollars in an effort to pre-empt the crash. That selling will amplify the perception, causing more selling, and so on; so the perception will become reality. Moreover, *the rush to sell dollars will extend to dollar-denominated assets*, including U.S. property, stocks, bonds, and bills. So the burst of the dollar bubble may be the trigger for the expected burst of the U.S. property bubble — among other things.

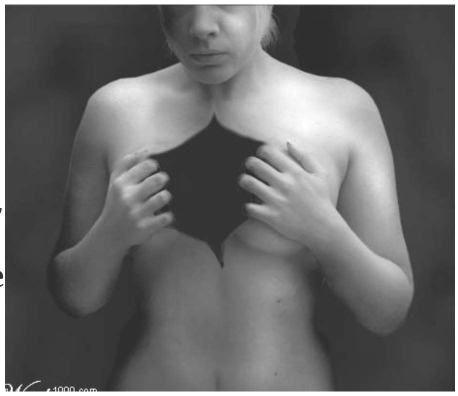
If, on the contrary, the U.S. property bubble bursts of its own accord, the falling value of this class of dollar-denominated assets will reduce the attractiveness of holding dollars. Worse, the recession precipitated by the property burst will bring down other dollar-denominated asset markets. If the initial collapse of the U.S. property market is not enough to prick the dollar bubble, the ensuing collapse of other dollar-denominated asset markets will certainly be enough, and the dollar crash in turn will drive further selling of dollar-denominated assets.

In either case, there will be a *multiple burst involving not only the global property bubble*, which is already deflating outside the U.S., *but also the U.S. dollar bubble and every other asset bubble that has been pumped up by recycled petrodollars*. The bigger the burst, the bigger the recession.

12. Summary

In short, the neo-classical economy works like this. The supplies of certain assets, including land, are not within the control of taxpayers. The returns on such assets (economic rent) are not due to any activity of the owners (rentiers) and therefore *could* be taken for public revenue, by means of holding taxes, with no ill effects. But this option is rejected. Instead, governments impose taxes penalizing everything that the neo-classicists profess to encourage. These taxes deter employment and feed inflation. Central banks fight the inflation by raising interest rates, causing more unemployment, for which the politicians' remedy is not to create more jobs (which would defeat the efforts of the central banks) but to intensify the competition for the few jobs that are available. Meanwhile, the opportunity to speculate on land-like assets creates a permanent artificial demand for those assets, causing permanent price premiums and rent premiums exacerbated by periodic speculative bubbles, which burst causing periodic recessions. One of these overpriced land-like asset classes is residential land, for which working people must pay out of wages that have been depressed by the deliberately engineered scarcity of jobs, eroded by income tax, and devalued by indirect taxes. Unemployment, poverty, and housing stress are the price that must be paid so that rentiers can continue to enjoy the economic rent that they do not produce. This is the prize for which the Cold War was fought, the End of History, the capitalist Nirvana.

This is the prize for which the Cold War was fought, the End of History, the capitalist Nirvana



Notes

[1] A networked service is a monopoly in the sense that any new competitor wishing to serve its first customer must either replicate the whole network, which is prohibitively expensive, or connect to the existing network on terms dictated by the owner or governed by regulation; none of these options admits free and fair competition.

[2] The so-called "rent" of real property comprises the rent of the land plus the hire of any building(s) attached to the land; only the former is economic rent. The so-called "rent" of a vehicle is not economic rent, but a return on capital.

[3] M. Gaffney, F. Harrison, and K. Feder, *The Corruption of Economics* (London: Shepheard-Walwyn, 1994; 271pp.).

[4] Of course workers can hardly refuse to acquire skills and to work. But nowadays they can easily refuse to raise the next generation of workers if the future for workers looks bleak. That is their biggest bargaining chip.

[5] Concerning the theory that recessions are due to high oil prices, suffice it to say that (i) there were recessions before there were oil shocks; (ii) the recession of 1990–91 started before the oil shock that allegedly caused it; and (iii) in the words of Alan Greenspan, "we create these elaborate models for policy responses and we put in oil prices [but] they don't create a recession in the models" [answer to a question from the International Monetary Conference (London, June 8, 2004), transcribed by Ashley Seager and quoted in Fred Harrison, *Boom Bust* (London: Shepheard-Walwyn, 2005), p.65].

[6] *The Economist*, June 16, 2005; http://economist.com/opinion/displayStory.cfm?story_id=4079458, http://economist.com/opinion/displaystory.cfm?story_id=4079027.

[7] William Clark et al., "U.S. Dollar vs. the Euro: Another Reason for the Invasion of Iraq", *Project Censored*, #19 for 2002–3, http://projectcensored.org/publications/2004/19.html; 5 refs.

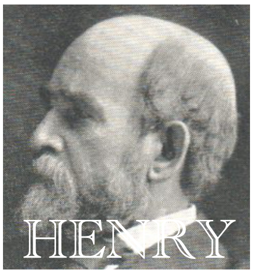
[8] William Clark et al., "Iran's New Oil Trade System Challenges U.S. Currency ", *Project Censored*, #9 for 2004–5, http://projectcensored.org/censored_2006/index.htm#9; 5 refs.

[9] Cóilín Nunan, "Petrodollar or Petroeuro? A new source of global conflict", *Feasta Review*, No.2, www.feasta.org/documents/review2/nunan.htm; 32 refs.

[10] Hazel Henderson, "Globocop v. Venezuela's Chavez: Oil, Globalization and Competing Visions of Development", April 2002, http://hazelhenderson.com/editorials/globoCop04-02.html.

[11] Duncan Campbell et al., "Bush Administration Behind Failed Military Coup in Venezuela", *Project Censored*, #12 for 2002–3, http://projectcensored.org/publications/2004/12.html.

[12] Gregory Wilpert, "Venezuela's Central Bank Confirms it Deposited $20 Billion in Swiss Bank", *Venezuelanalysis.com*, Oct.5, 2005, http://venezuelanalysis.com/news.php?newsno=1777.



HENRY SAID.....

"Taxation must not take from individuals what rightfully belongs to individuals."

"Give labor a free field and its full earnings; take for the benefit of the whole community that fund which the growth of the community creates, and want and the fear of want would be gone."

"Unless we come back to first principles, unless we recognize natural perceptions of equity, unless we acknowledge the equal right of all to land, our free institutions will be in vain, our common schools will be in vain; our discoveries and inventions will but add to the force that presses the masses down!"

"Land is necessary to all production, no matter what be its kind of form; land is the standing place, the workshop, the storehouse of labor; it is to the human being the only means by which he can obtain access to the material universe or utilize its powers. Without land man cannot exist. To whom the ownership of land is given, to him is given the virtual ownership of the men who must live upon it. When this necessity is absolute, then does he necessarily become their absolute master."

"Great wealth always supports the party in power, no matter how corrupt it may be. It never exerts itself for reform, for it instinctively fears change. There is danger in reckless change; but greater danger in blind conservatism."

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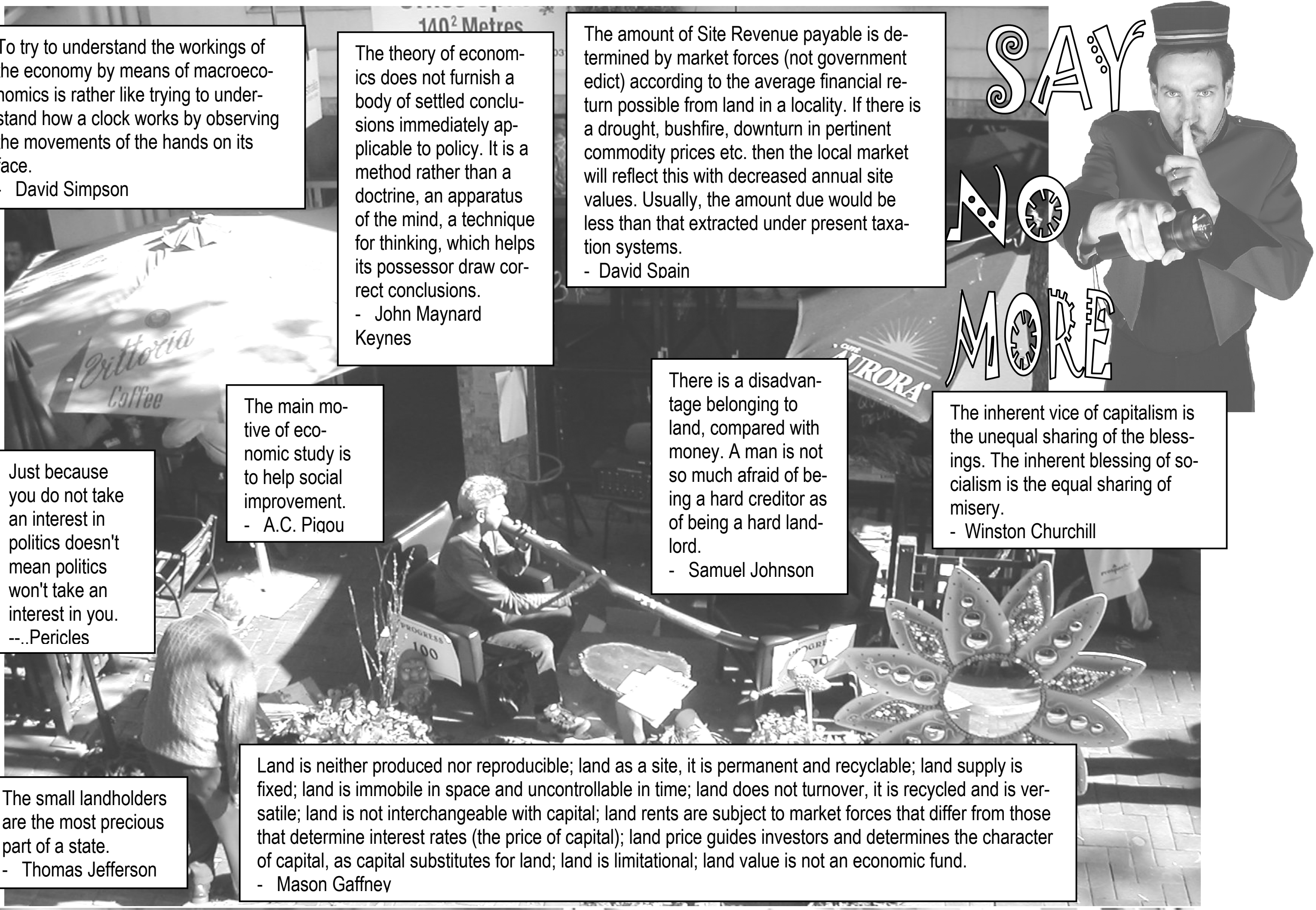
PROSPER AUSTRALIA BELIEVES:
In personal liberty, economic justice and equal opportunity
OUR MISSION IS TO:
Replace all existing taxes with a charge on the value of land and natural resources. *We will achieve this by:*

- *Educating society in economics*
- *Seeking support for our mission*
- *Supporting proportional representation in all elections*

OUR VISION IS TO:

- Abolish poverty
- Achieve full employment
- *Create* a more educated society
- Achieve a sustainable environment through land management
- Reduce the cost of home ownership

(Ed: These principles are work-in-progress, so Proz Oz welcomes any comments or suggestions)



To try to understand the workings of the economy by means of macroeconomics is rather like trying to understand how a clock works by observing the movements of the hands on its face.
- David Simpson

The theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique for thinking, which helps its possessor draw correct conclusions.
- John Maynard Keynes

The amount of Site Revenue payable is determined by market forces (not government edict) according to the average financial return possible from land in a locality. If there is a drought, bushfire, downturn in pertinent commodity prices etc. then the local market will reflect this with decreased annual site values. Usually, the amount due would be less than that extracted under present taxation systems.
- David Spain

Just because you do not take an interest in politics doesn't mean politics won't take an interest in you.
--..Pericles

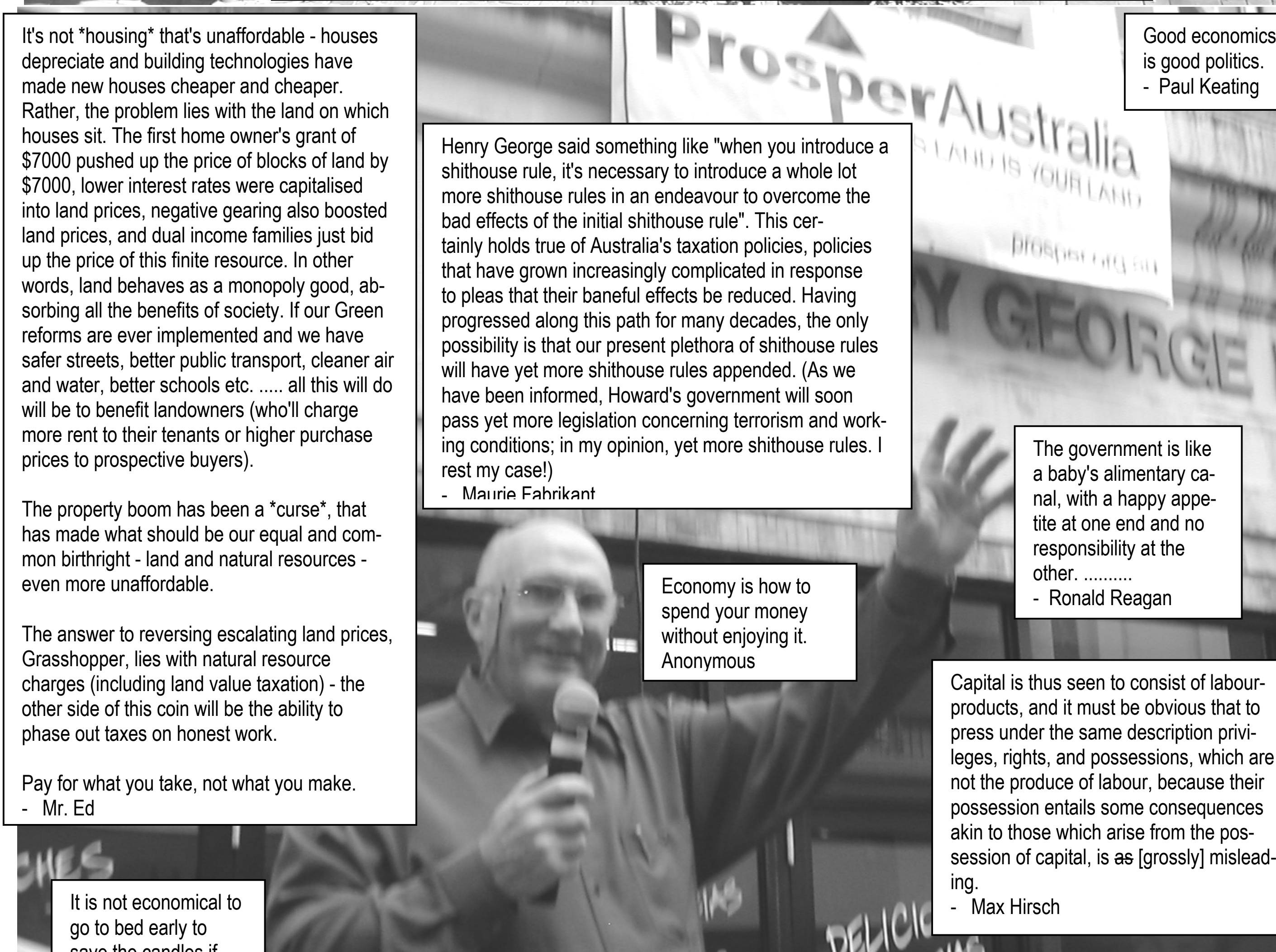
The main motive of economic study is to help social improvement.
- A.C. Pigou

There is a disadvantage belonging to land, compared with money. A man is not so much afraid of being a hard creditor as of being a hard landlord.
- Samuel Johnson

The inherent vice of capitalism is the unequal sharing of the blessings. The inherent blessing of socialism is the equal sharing of misery.
- Winston Churchill

The small landholders are the most precious part of a state.
- Thomas Jefferson

Land is neither produced nor reproducible; land as a site, it is permanent and recyclable; land supply is fixed; land is immobile in space and uncontrollable in time; land does not turnover, it is recycled and is versatile; land is not interchangeable with capital; land rents are subject to market forces that differ from those that determine interest rates (the price of capital); land price guides investors and determines the character of capital, as capital substitutes for land; land is limitational; land value is not an economic fund.
- Mason Gaffney



It's not *housing* that's unaffordable - houses depreciate and building technologies have made new houses cheaper and cheaper. Rather, the problem lies with the land on which houses sit. The first home owner's grant of $7000 pushed up the price of blocks of land by $7000, lower interest rates were capitalised into land prices, negative gearing also boosted land prices, and dual income families just bid up the price of this finite resource. In other words, land behaves as a monopoly good, absorbing all the benefits of society. If our Green reforms are ever implemented and we have safer streets, better public transport, cleaner air and water, better schools etc. ..... all this will do will be to benefit landowners (who'll charge more rent to their tenants or higher purchase prices to prospective buyers).

The property boom has been a *curse*, that has made what should be our equal and common birthright - land and natural resources - even more unaffordable.

The answer to reversing escalating land prices, Grasshopper, lies with natural resource charges (including land value taxation) - the other side of this coin will be the ability to phase out taxes on honest work.

Pay for what you take, not what you make.
- Mr. Ed

Good economics is good politics.
- Paul Keating

Henry George said something like "when you introduce a shithouse rule, it's necessary to introduce a whole lot more shithouse rules in an endeavour to overcome the bad effects of the initial shithouse rule". This certainly holds true of Australia's taxation policies, policies that have grown increasingly complicated in response to pleas that their baneful effects be reduced. Having progressed along this path for many decades, the only possibility is that our present plethora of shithouse rules will have yet more shithouse rules appended. (As we have been informed, Howard's government will soon pass yet more legislation concerning terrorism and working conditions; in my opinion, yet more shithouse rules. I rest my case!)
- Maurie Fabrikant

The government is like a baby's alimentary canal, with a happy appetite at one end and no responsibility at the other. ....
- Ronald Reagan

Economy is how to spend your money without enjoying it.
Anonymous

Capital is thus seen to consist of labour-products, and it must be obvious that to press under the same description privileges, rights, and possessions, which are not the produce of labour, because their possession entails some consequences akin to those which arise from the possession of capital, is ~~as~~ [grossly] misleading.
- Max Hirsch

It is not economical to go to bed early to save the candles if the results are twins.
Chinese Proverb

Thomas Stamford Bingley Raffles (1781–1826)

For someone born on the lower rungs of an extremely class-ridden society (the son of a ship's cook, born on a ship off the coast of Jamaica), Stamford Raffles became a towering figure in many fields in his lifetime. As a scientist, explorer, diplomat, administrator, founder of Singapore, author and historian, the volume and range of his work is amazing, particularly when it is remembered that he died at the age only 43 years. But as a geoist (dying before Henry George was even born), he was a lofty thinker, humanitarian and able reformer.

Little is known of Raffles' parents. His father suddenly passed away when he was 14, leaving his family in debt. He immediately started working as a clerk in the British East India Company (the quasi-government trading company that shaped much of England's overseas conquests) and his keen mind soon attracted the attention of the governors, and so he was sent to a post in Penang, Malaysia, as assistant secretary.

Through his keen knowledge of the Malay language and their customs, he played a large part in planning the capture of Java from the Dutch. Raffles was immediately appointed Lieutenant-Governor of Java and its dependencies, the uncrowned king and overlord of some five million people. He soon reduced the power of native princes and reorganised the administration into a model of efficiency and honesty and became renowned for his outstanding liberal attitude toward peoples under colonial rule, for introducing partial self-government, for researching the magnificent Borobudur and other ancient monuments, and for his zeal in collecting a wide variety of valuable historical and scientific information.

Most importantly, thanks to the geoist principles that Raffles implemented, this small nation was elevated in a few short years to a degree of amazing liberty and prosperity without parallel. The key lay in Raffles having plunged into Javan history and discovering the reasons why a prosperous and glorious past on this great island had been effectively destroyed, not by the Dutch invasion itself, but by the folly of the Dutch rulers, who were ignorant or regardless of the just land laws of the Malays and Javanese. Under these traditional laws, landlordism had not existed and there had been no room for land speculation and land monopoly. Land was held for individual use, provided ground rent in full was paid over to the authorities.

Because of the Dutch tax mess, Raffles found the Javan finances in a shocking state – tolls, taxes and restrictions lay across every activity of Javanese life. Amongst the first acts of Raffles was the immediate abolition of nine-tenths these meddlesome and damaging laws.

Raffles proceeded by diplomacy to overcome the opposition and to secure the co-operation and friendship of the established chiefs and rulers. When these people learned through his great Land Settlement Memorandum that he proposed to restore completely the ancient system of Java, they one by one accepted his authority without further question. He was approachable by high and low. Accompanied by his wife, he travelled over the island for the purpose of establishing his government and appointing suitable Javans to carry out the details of geoist reform and administration.

Raffles believed that the introduction of the land-rent system would provide a surplus which would entirely cover expenditure. The revenue did increase and more than covered the normal operations of Government, but it was not adequate to cover, in addition, two crippling burdens with which the administration was unfairly loaded - the payment of the cost of the wars of occupation and the "appalling handicap" of carrying out Lord Minto's promise to redeem the paper money still circulating from the Dutch period. Despite these burdens, Java’s prosperity was improved immensely, even into the subsequent Dutch colonial period. Land speculation was small or non-existent and there was no chronic poverty here of the type which characterised India and other Asian countries.

Raffles was also a follower and associate of Wilberforce and was committed to the rigorous abolition of slavery. He started in 1812 by abolishing forced labour and feudal dues, then by imposing a tax on the keeping of slaves. In 1813 he issued an order forbidding any further importation of slaves, then passed a regulation prohibiting the slave trade through the Archipelago.

Due to post-Napoleonic deal-making, Java was handed back to the Netherlands in 1816, after which Raffles proceeded on a tour of Europe and then returned to Indonesia as Governor of Bencoolen, on the island of Sumatra. By the time Sumatra, too, was handed over to the Dutch, Raffles’ geoist reforms had made Sumatra a prosperous country for the native inhabitants.

After lengthy searching for a new British base in the region, in 1818 Raffles founded Singapore. Raffles went on to establish Singapore on the same geoist land tax principles and as a free trade open port, and it is for this that he is best known in the English-speaking world. He was also responsible for the Raffles Plan of Singapore and, by the time he left for good in 1823, the city was on its way to become the largest port in the world.

Back in England, his outstanding achievements and abilities were recognised and a knighthood conferred upon him by the king . He also played the chief role in founding the Zoological Society of London and was its first president. But what are such honours but mere baubles compared to the little-known but truly inspired geoist reforms he implemented?

"*I have the happiness to release several millions of my fellow creatures from a state of bondage and arbitrary oppression. The revenues of Government, instead of being wrung by the grasping hand of an unfeeling tax-farmer from the savings of industry, will now come into the treasuries of Government direct and in proportion to the actual capacity of the country.*"