

September – November 2011

PROGRESS

SHARING THE EARTH SO ALL MAY PROSPER



Broadening the Movement

Clifford Cobb on Sharing Our Common Heritage

Latin American Revolutions

David Smiley's Follow Up Feature on the Success of Revolutions

Visualising Economics

What Does it Take to Create Beautiful Economic Graphics?

Framing the Message

A Series of Interpretations on the Work of Henry George

PROGRESS

Sept - Nov 2011

Number 1103

First published 1904

Editor

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Publisher

Prosper Australia Inc.

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PROGRESS is the journal of
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Earthsharing Australia,
Land Values Research Group

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PROGRESS is supported by
a grant from the Henry George
Foundation of Australia.
www.hgfa.org.au

Printed by The Print Press
(03) 9569 4412
printpress@bigpond.com
Printed on recycled paper
with soy based inks

Front Photo of:
David Collyer, Collins St
Real Estate For Ransom

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Photo: The Age

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Earthsharing Australia
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REAL ESTATE 4 RANSOM UPCOMING SCREENINGS:

- **SYDNEY - Tuesday 27th September, 7pm, Chauvel Cinema**
Q&A with Co-Director Karl Fitzgerald (tickets: <http://realestate4ransom.eventbrite.com/>)
- **CANBERRA- Tuesday 4th October, 6.30pm, Tax Summit Special**
Q&A with Co-Director Karl Fitzgerald (more details: <http://realestate4ransom.com/screen/>)
- **MELBOURNE - Sunday 9th October, 3.30pm, ACMI Cinemas**
Q&A with Directors: Karl Fitzgerald and Gavin Emmanuel (tickets on sale soon)
- **HOBART - Wednesday 12th October, 6pm, State Cinema**
Q&A with David Collyer (tickets on sale soon)

For those emailing us annoyed that they can't see the film yet, we are sorry. We have submitted the film to the ABC and SBS here in Australia. They take 6-8 weeks to respond. There are a lot of film makers out there... We are currently working on independent screenings in Perth, Canberra and Brisbane. If you know of good cinemas in your home town, please include them with contact details in an email to us.



HENRY GEORGE ANNUAL DINNER



Leo Foley presents 'Taking it to the people, by George' to an appreciative crowd at the 120th Annual Henry George Dinner. Pumphouse Hotel, Melbourne, Thursday 1st September 2011

Letter from the editor:

This is an exciting time for Prosper. We are edging closer to achieving significant gains for the movement.



This edition of Progress carries the theme “Framing the message of Henry George in the 21st century”. Thank you to everyone who contributed articles, I’m pleased with the quality and diversity of the work received. You will find a broad and intelligent analysis of many issues facing contemporary Georgists as we carry the flame forward together. There are plenty of other articles outside the theme, including another fascinating ‘Geoists in History’ featuring the education reformer John Dewey.

There may be some articles you’re not used to seeing in Progress, including an interview with Katherine Mulbrandon from the website ‘Visualising Economics’. I find her graphic illustrations of economic issues very informative and I encourage readers of Progress to consider creating their own graphics on Georgist themes. There are some very innovative ways to communicate our message and we need to make better use of them. I hope you find some creative inspiration from her work.

An essay by Clifford Cobb entitled ‘Broadening the Movement’ ties in nicely with the ‘framing’ theme. It’s not a traditional Georgist essay, but you should find it thought provoking so please read it through. Mr Cobb’s essay was written in honour of Alfred Andersen and his work on ‘common heritage rights’.

I was grateful to receive Anne Schmid’s essay on ‘Christianity and Henry George’ because George’s work was framed entirely within the Christian message. His popularity peaked at a time when that frame was far more overarching of the population than it is today. There are three other articles within the ‘framing’ theme. Gavin Putland’s ‘Egalitarian’ essay, Karl Williams on ‘Geoism and the environment’ and David Brook’s article from the ‘tax is theft’ point of view.

An exciting development of late has been the renewed ‘mainstream’ interest in our ideas. Ken Henry’s tax review, think tanks like the Grattan Institute and consultants to government like Access Economics have all produced reports that clearly spell out the benefits of replacing inefficient taxes with public revenue from land and resource rents. I believe we are very close to achieving significant gains for our cause and it is up to us to continue making inroads into the mainstream arena.

What a phenomenal launch for the documentary ‘Real Estate 4 Ransom’! Congratulations Karl Fitzgerald and Gavin Emmanuel, your tireless hard work has really paid off. Let’s hope the ABC or SBS pick it up! David Collyer has also been busy with features on Today Tonight – keep an eye out for pics in the following pages.

Progress now contains more pages than previous editions. This has been possible by switching from bi-monthly to quarterly distribution, which allows a wider selection of articles to be published. I look forward to reviewing your contributions for the next edition. Publication dates and submission deadlines will be available for 2012 on the Prosper website shortly. Openness, inspiration, innovation, creativity and motivation will lead us toward an economically efficient and socially just society. It is these attributes I hope you find in the following pages.

I’m interested in your feedback so please let me know what you think by sending an email to: progress@prosper.org.au

Best wishes,

Andy Moore
Editor – Progress Magazine
Prosper Australia

Australian Housing: Undersupply Myth Exposed!

David Collyer



David Collyer being interviewed by Channel 7 news out the front of the Prosper office. Hardware Lane, Melbourne.

“Prosper expects stock on the market to rapidly increase and sales to rapidly decrease from here”

“Australia’s housing undersupply myth has just been exposed. We have overbuilt more than the USA,” Prosper Australia Campaign Manager David Collyer said today.

“Fresh analysis of ABS data by Philip Soos for Prosper Australia and comparison with peer countries demolishes the claim population growth vastly exceeds construction. Such claims are wrong and dangerously misleading for homebuyers.

New persons per new dwelling during the bubble boom phase.

Australia	(1996-2010)	2.32
England	(1996-2007)	1.50
USA	(1996-2006)	2.42

“On average, we have built one new dwelling for every 2.32 new persons in Australia for the last fifteen years, adjusted for discontinuations.

We live 2.5 people per dwelling, so Australia has built more than we need - and has done so for years.

“We believe Australia now has over 125,000 excess dwellings.

“The move to smaller household sizes occurred mostly in the decade prior; we therefore reject that argument in advance. Looking back over the last thirty years to include that change, Australia built one new dwelling per 1.9 new persons (1980-2010).

When residential property prices blow into a bubble, the tragic error often made is in attributing price rises to housing shortages.

“The US experience shows this conviction is shattered as soon as price declines begin. Banks there are now bulldozing empty houses, with no end

in sight to falling prices. The shortages claim was also used in England, Ireland and Spain, all now severely affected by collapsing property prices,” Collyer said.

The ABS released the June 2011 house price figures on Tuesday. They showed only a 0.1 per cent nominal drop or minus 1 per cent adjusted for inflation. From June 2010 to June 2011, prices have fallen 5.3 per cent.

“This may seem a modest change until one compares the US experience where a year from the peak, US prices had only decreased 4 per cent, but then rapidly snowballed.

Also Tuesday, the ABS released home building approval data, a key leading indicator of activity and confidence, showing a sharp, seasonally adjusted fall of 8.1 per cent.

“Prosper expects stock on the market to rapidly increase and sales to rapidly decrease from here. With over 31,000 ‘Stale Stock’ (property on the market and unsold for more than sixty days) currently available in Melbourne postcodes 3000-3207 alone, sharp price falls, builder losses and widespread construction industry labor shedding can be predicted with confidence.

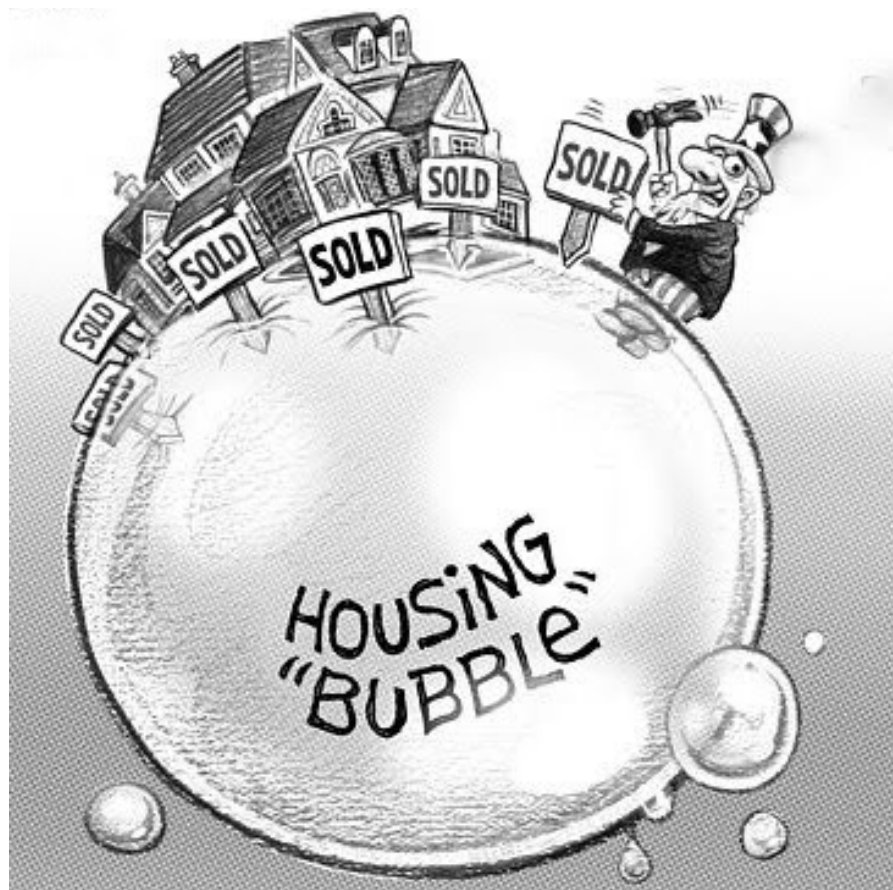
“Melbourne has been the epicentre of price growth and new construction, so we may expect harsh price corrections in its newly-built outer suburbs.

“The real estate industry relies on emotion - how people ‘feel’. But ‘sentiment’ is a poor basis for people to make the largest investment of their lives. The truth emerges only through the rigorous analysis of data.”

Should we be bracing for an inevitable housing bubble bust?

Philip Soos

Researcher, School of International & Political Studies at Deakin University



Pic: romansrocklin.com

“Economist James Galbraith has noted that only 12 out of 15,000 economists in the US noticed the US\$8 trillion dollar housing bubble”

Could a housing bubble burst occur in Australia similar to that of the Unites States?

By now it should be obvious to anybody who is not a banker or a real estate agent that Australia is in the grip of a substantial housing bubble.

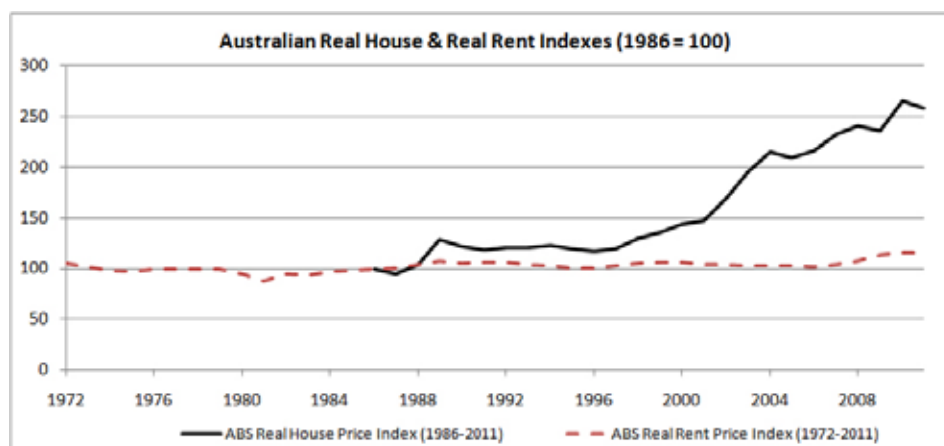
The greatest housing-price rise in the history of Australian residential property represents an inflated bubble – one that is ready to burst.

Perhaps unsurprisingly, only a handful of economists accept this view. This small number shows that the formation of a bubble requires a mass popular delusion to occur, with the vast majority of economists playing along by either missing it or denying its existence.

The economist James Galbraith has noted that only 12 out of 15,000 economists in the US noticed the US\$8 trillion dollar housing bubble that occurred there. It appears that mainstream economists have the insight and independence of a herd of sheep.

From 1996 to 2010, house prices climbed by 127%, adjusted for inflation, though rents increased only 15% over this period.

The graph below shows the disconnect between housing prices and rents.



This is one obvious indicator of a bubble because renting is a substitute for purchasing a home.

If prices have risen substantially, then people would adjust their preferences to renting, resulting in a fall in housing prices and a rise in rents until a balance is reached. Clearly, this is not the case.

Australians have embarked upon a speculative property binge, chasing capital gains rather than long-term net rental income.

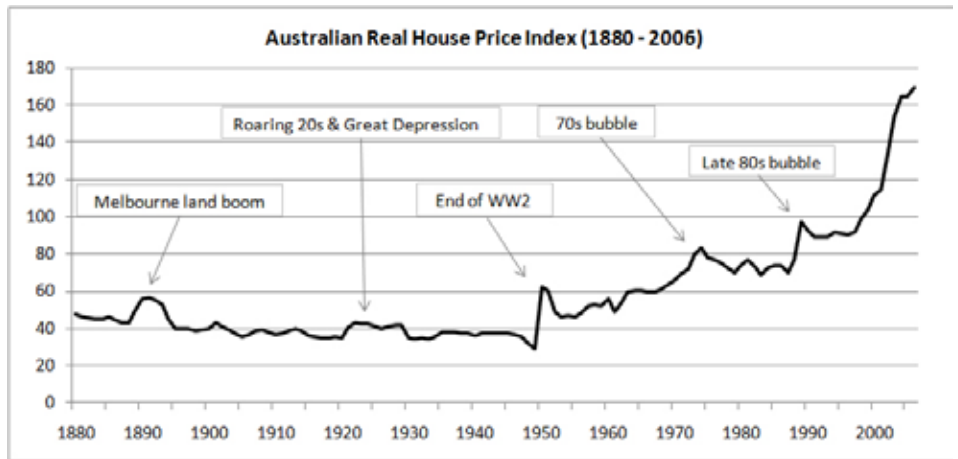
As the US economist Dean Baker noted two years before the bubble burst in the US, "No one can produce an explanation as to how fundamental factors can lead to a run-up in home sale prices, but not rents."

Perhaps the idea of a bubble could be questioned if the price-to-rent ratio was the only confirmatory indicator.

Unfortunately for the housing bubble deniers, there is little recourse. Many ratios and valuations point to a bubble, with the following showing that Australian property is severely overvalued: price to rent, median multiples, mortgage debt-to-GDP, household interest payments-to-disposable income, housing debt-to-disposable income, household debt-to-assets, and total residential housing stock value.

These statistics are publicly available, but for the most part have been swept under the carpet because the government and industry do not want to hear otherwise.

Below is a graph of Australia's long term housing price history from 1880 to 2006. It certainly contradicts the notion that prices always rise and never fall – the usual propaganda trumpeted by industry.



According to housing price data, eight of the nine substantial price increases over the last 131 years have resulted in a decline, with the only exception being a short three year period from 1961-1964. The question to ask now is whether the tenth and greatest price increase in Australian history will go the way of the other eight declines.

In response to the rapid escalation of housing prices, the housing bubble deniers have created an explanation of a housing shortage.

These deniers believe that the combination of population growth, net immigration and demographic change has resulted in increasing demand, thus causing an undersupply of housing.

One common factor between the housing bubbles of recent times in the

US, UK, Spain, Ireland – and now Australia – is that the housing shortage argument has been put forth to explain the price rises.

Yet, we know that once the bubbles burst, a huge oversupply of housing always emerges.

The National Housing Supply Council, which was set up by the government to monitor housing demand, has tried its best to create a shortage by twisting the social needs of the homeless, couchsurfers, those sleeping rough and caravan park residents into market demand.

Obviously, these people do not have the money to purchase a property, which explains their predicaments. Additionally, from 1951-2008, the year-on-year growth in dwellings was greater than population growth, and there have been more new dwellings constructed per new person in Australian than in the US over the last couple of decades.

The real reason for these astronomical prices are three factors: financial liberalisation with its liberal lending policies, government tax exemptions and programs, and restrictive planning policies.

What weighting should be given to each of the three is unclear, but all have contributed to the formation of the bubble. The last two are insufficient to push prices as high as they are now – rather they act as fuel, while the easy availability of credit acts like a fire starter.

Unsurprisingly, mortgage debt has increased rapidly, reaching over \$1 trillion, or almost 90% of GDP, in recent years.



Pic: cpa.org.au/policymakers

“Macrobusiness is one of the few voices of sanity left in Australia. Prosper Australia is another.”

Current tax policies and programs have distorted the residential property market substantially. A Senate report on housing affordability aggregates the assistance provided to Australian property owners: \$53 billion per year. This is five times the amount that is spent on public housing and rent assistance to the low-income earners.

From 1996 to 2010, the value of the residential property stock has increased by \$2.5 trillion. Simply put, the government is forking out tens of billions a year to property owners as they privatise trillions in capital gains.

This is one of the reasons why the so-called experts have desperately attempted to deny the existence of a bubble using lies, damned lies and statistics: they want the gravy train to keep rolling, which overwhelmingly benefits the rich.

They have also promoted policies to benefit established owners and speculators to the detriment of first-home buyers and renters – under the pretext of helping first home buyers and renters.

The ratios and valuations mentioned above suggest that a substantial correction will have to occur if prices are to reflect fundamentals, with an approximate 40% fall on the cards. If the government does not intervene again, as it did during the GFC by boosting the first-home-owners grant, then the market should plunge. The results will not be pleasant, as evidenced in other countries affected by bursting bubbles.

Thus, the gravy train will run out of steam and eventually grind to a halt, with a less-than-tasteful result. The Great Australian Land Bubble

will be replaced with The Great Australian Land Bust.

There are several solutions available to remedy the economic and social fallout. Some of the solutions are over a century old, for instance, land value taxes and debt write-downs or jubilees.

The Right to Rent plan and limiting the amount of mortgage debt that potential owners can access are policies proposed in recent years.

Regardless, this will not stop the finance, insurance and real estate sectors from huddling behind the conservative nanny state, begging for bailouts.

Given the track record of government, industry and economists over recent years, the public should be more skeptical of their pronouncements.

For instance, in the US, they missed – or denied – the existence of a US\$10 trillion stock market bubble, an \$8 trillion housing bubble and the GFC. In Australia, the same has occurred.

A sane course of action requires that we listen to the economists who have a track record of getting it right.



Pic: mediaphotobucket.com

Land Value Capture: Building Interest

Karl Fitzgerald

We propose a change in the tax mix so that future infrastructure pays for itself by expanding the tax base without increasing the tax burden.

Once you have land values on your radar, they are hard to ignore. There is a growing understanding of the role they play in society, both from a public and private perspective. Here are a few recent tastings that have come to my attention:

Terry Ryder, Property specialist and journalist states:

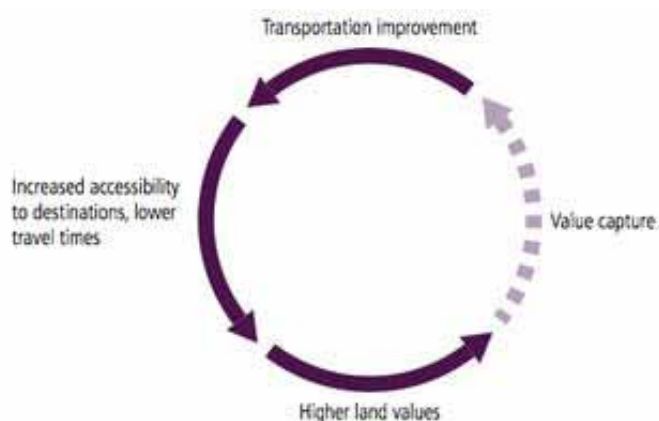
Increasingly I find transport infrastructure the most powerful creator of price growth in residential property. This is confirmed by research from multiple sources in recent years, which shows homes close to public transport services tend to grow faster in value than the norm. (The Australian, Aug 18, 2011)

UDIA Gold Coast president Steve Harrison revealed:

"There's a handful of smart developers who have actually grabbed land around each of the stations -- they're waiting to see the pushback from council." (Goldcoast.com.au, Sept 26th, 2010)

"Massachusetts developer Frank McCourt used the increased value of his Seaport District properties -- from roughly \$10 million to \$200 million -- to help finance his acquisition of the Los Angeles Dodgers. In a recent conference on value capture, Richard Henderson, an executive involved in the Seaport District's transformation, described the investments as 'a tremendous boon to the landowners in the area.'" (Smart Growth America, June 30, 2011)

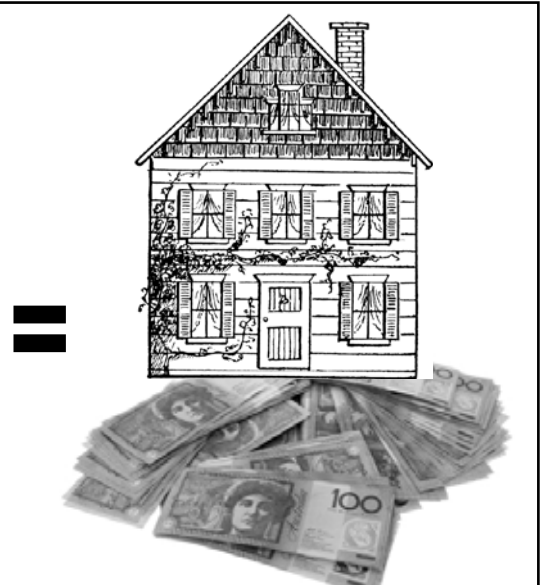
Academia are stepping up with various studies on behalf of the public interest:



... [We] found that within 1/4 mile of one of Philadelphia's 54 branches, the value of a home rose by \$9,630. Overall, Philadelphia's public libraries added \$698 million to home values—which in turn generated an additional \$18.5 million in property taxes to the City and School District each year. That benefit alone recouped more than half of the city's investment. (p8, The Economic Value of The Free Library In Philadelphia, Fels Institute of Government, 2010)

"... Research into quantifying park quality continues; in the interim we have chosen to assign the conservative value of 5 percent as the amount that parkland adds to the assessed value of all dwellings within 500 feet of parks. (The preponderance of studies has revealed that excellent parks tend to add 15 percent to the value of a proximate dwelling)" (p8, Measuring the Economic Value of a City Park System, Harnik and Welle, 2009)





The High Speed Rail 2 project in the UK, linking Leeds to London has been estimated to add £1000 to property values in Leeds, per minute of reduced commute time.

Land Value Capture Primer

Infrastructure adds enormous value to land in prime locations according to proximity and serviceability.

Land Value Capture (LVC) is a simple technique to recycle the publicly funded windfall gains that accrue to land owners. Importantly, these windfalls are captured over the life-cycle of the infrastructure, such that one generation is not hit with the total infrastructure costs (ie as per the current preference for Developer charges).

How it works:

Macro:

- Government bonds finance the infrastructure project.
- Infrastructure proposal announced = windfall gains for nearby landowners
- Yearly land valuations quantify the windfall gain.
- Land Value Capture (a subset of Land Taxes) ensures the public receive a share of the increase.
- Over time (20 years) this higher government income repays the government bonds.

Micro:

- Fixed costs are covered by LVC.
- Marginal costs are covered by marginal revenue (ie ticket sales on a train).

Political machinations:

A Metropolitan Regional Improvement Tax, similar to Perth's, could be included in the Federal tax mix. However, it must be set at a higher rate than the 0.14% rate that the Western Australian government has used to provide Australia's most modern PT system.

If taken to its logical conclusion, revenue from this Betterment Levy type charge could be used to fund the abolition of payroll tax and stamp duties at the state level. We propose a change in the tax mix so that future infrastructure pays for itself by expanding the tax base without increasing the tax burden. The Henry Review quoted "A recent OECD report found that a 1 per cent switch to land or property tax (but not to taxes on transactions) away from income tax would improve long-run GDP per capita by 2.5 percentage points (Johansson et al. 2009)."

Examples of LVC:

- MTRC – Hong Kong: has returned dividends for the last decade, dispelling the myth that PT can never be profitable.
- Japanese Railway East – efficiencies of LVC have enhanced profitability (ticket prices have remained at 1987 prices.)

We should take stock of how past generations financed public transport:

- Glen Waverly Station (Vic): How did they do it? Residents were asked and agreed to donate £30,000 worth of land (1925) to build the train station and rail line. Additionally, they were asked to pay a Betterment Levy of £10,000 per annum to cover the first five years operational costs. (<http://tinyurl.com/3kb2kjo>)
- Sydney Harbour Bridge – 30% financed by council rates on the land only component.

What we are asking:

Windfall gains from infrastructure add up to several times the cost of the infrastructure to surrounding properties. We propose that a sufficient contribution from this windfall be recycled back to the government so that other infrastructure projects can be funded without substantially burdening one generation over another.

At present land speculators baulk at paying barely 10% of the land bounty (windfall gain) back to the community via government's Land Tax, Council Rates, Stamp Duties and Capital Gains. This abstinence from the public good is limiting government at all levels from funding infrastructure. The LVC rate can be set so that landowners still receive the majority of gains.

Consider:

Northbridge railway redevelopment in central Perth – 50,000 square metres of prime commercial land will be made available by the Rudd government's recent Federal Budget infrastructure initiative (and local WA government efforts). At present it seems that the plan is to sell this prime location to private interests by moving the station underground. It would be in the community's best interests if the government could lease the land to private interests so they capture the upkick in land values over future years.

For example, the Northbridge railway station tunnel development has a Federal budget of \$236 million. Conservatively estimated at \$3000 p/square metre, this would see the site worth \$150m in today's figures. With an average 6% growth rate in land values, this would see all such site holders pay the majority of the \$236m back in just 7 years. Land values would no doubt have grown by more than 6% p.a since the infrastructure announcement. Seven years is perhaps too fast a repayment. Sharing the infrastructure costs over a 20 year lifetime would see multiple owners contribute for the received benefit.

In summary, government bonds finance the initial investment. Land owners pay the community back for the new services over the lifetime of the asset. Such a LVC system would also keep a lid on land prices (the extent reliant upon the rate set at). With land comprising over 70% of a mortgage, the reduced land-based interest payments would assist the creative small business Perth needs to compete with Fremantle. By widening the tax base, more Infrastructure Australia proposals could get off the ground.

Advantages:

- Common sense: Those that benefit, pay
- Can be revenue neutral
- Cheaper public transport ticket prices
- Widens tax base
- Expands public transport and public services as financed with minimum leakage
- Spreads load over the entire community, rather than slugging commerce (ie trucks on tollways)
- Encourages walkable communities by providing a disincentive for land speculation
- Can prevent future GFC's by deterring land speculation

Resources:

- Wheels of Fortune – Fred Harrison (available in our bookshop or free to download)
- <http://tinyurl.com/3p8f4vd>
- Scottish governments LVC review
- <http://tinyurl.com/4xh7kb8>
- Scottish list of global LVC report references
- <http://tinyurl.com/3t38fub>
- Taken for a Ride (Jubilee Train line)
- <http://tinyurl.com/3tdeyy6>
- Adequacy of Land Value Capture for the funding of infrastructure – Gavin Putland
- <http://tinyurl.com/3gvvt8b>
- Betterment Levy – Steven Spadijer
- <http://tinyurl.com/3rgwalm>
- Wiki page on LVC
- <http://tinyurl.com/3oggpmp>
- Value capture: an innovative strategy to fund public transportation projects
- <http://tinyurl.com/449sr9z>
- Developers Map of Sydney
- <http://tinyurl.com/qtx3mg>

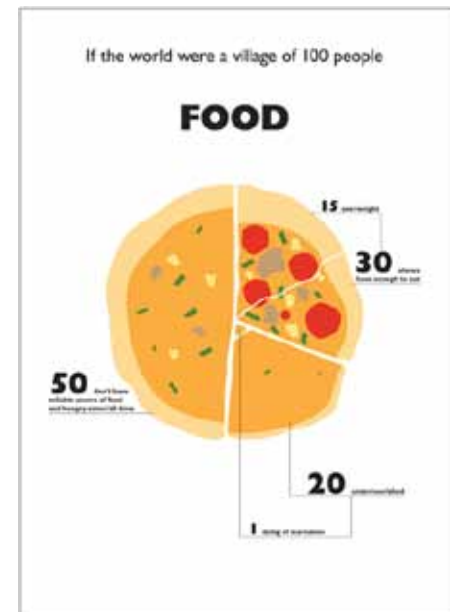
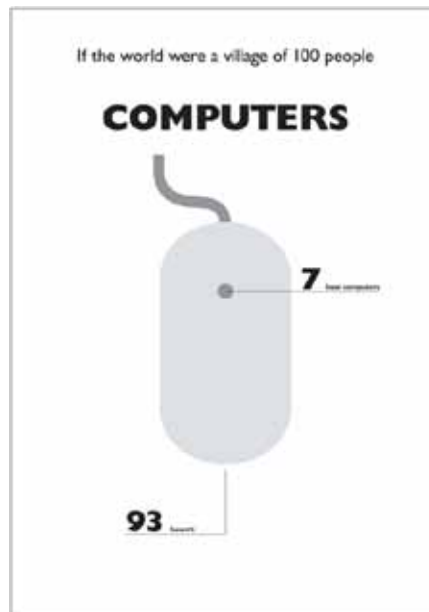
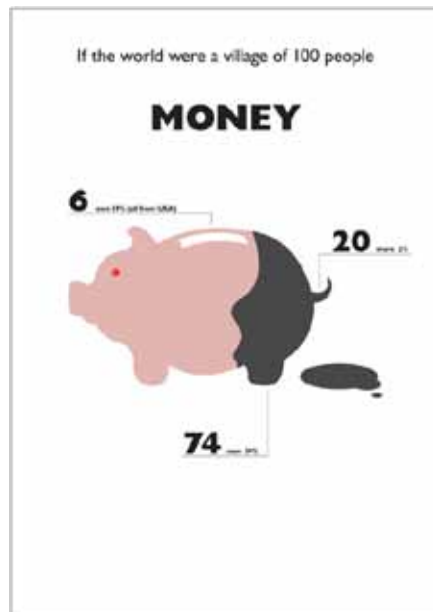


Pic: growthandjustice.com

Visualizing Economics

Interview with Katherine Mulbrandon

Andy Moore



Katherine Mulbrandon created the website: www.visualizingeconomics.com and attracted a whole lot of attention! She directs her passion for graphic design and economics with a unique flair. You could be doing something like this...

What ignited your passion for economics?

When I was in college trying to decide on a major, my mother (who worked as a physicist) took some Economics classes to indulge her own curiosity in the subject. So it was through discussing economics with her that I became interested myself.

How did you develop your skills in graphical illustrations?

My first job out of college was at a financial consulting firm where I created Excel graphs and learned about the financial markets. But it was at the School of Design at Carnegie Mellon that I learn about graphic, information and interaction design. For my Master's thesis, I created a series of posters presenting data about the United States' economy but also studied Jacques Bertin's "Semiology of Graphics" in order to understand how to maintain the integrity of the data when you make a chart, graph or map.

Do you see yourself as an activist or a messenger?

I liked to think of myself as a messenger but given that economics can be such a politically-charged subject, simply by presenting economic data in a straightforward way can challenge other people's agenda.

You have prepared some wonderful historical illustrations of income tax policy settings. Why is it important for people to understand tax issues?

Taxes can have a powerful effect on a country's economy creating incentives and disincentives for different behaviors but it can also effect the overall distribution of wealth in that society. Many of the political debates in the U.S. are over tax policy yet there is very little understanding of the tax system as a whole. People may understand the tax rates they pay but not how it relates to what everyone else pays, which makes the debate over tax policy very susceptible to distortion.

How did you develop your craft of statistical economic research?

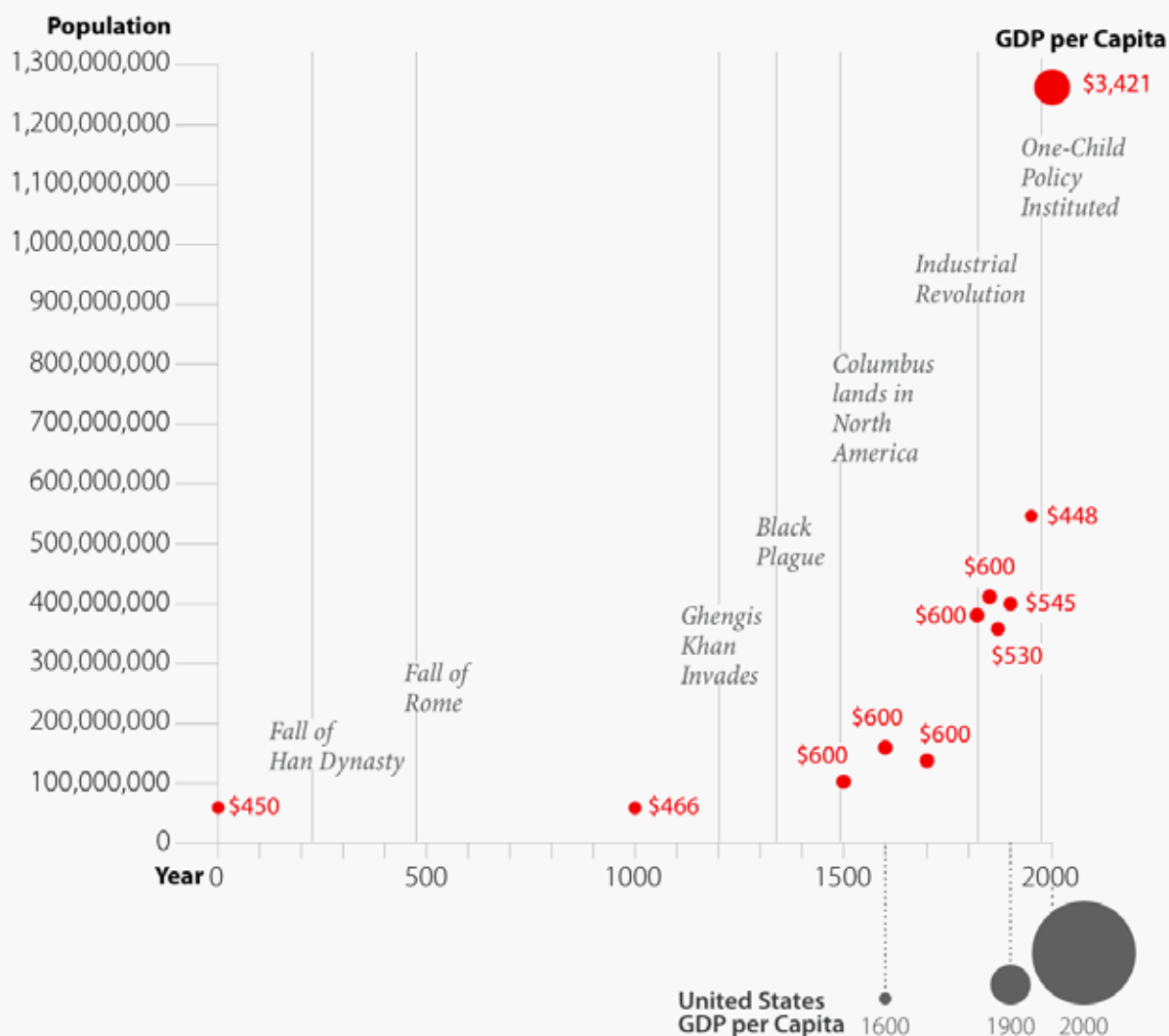
I studied statistics in college but I leave most of the analysis to experts working in government agencies and academics who collect the data. What I try to do is make sure the sources I use are reliable (they are transparent in their methodology and their data has been reviewed) and that I understand exactly what is being measured.

How long does it typically take to develop one of your illustrations, including the research?

A few days to a few weeks. I will start with what I think is interesting and create a sketch of the graphic. Then I show this sketch to someone else to get feedback, or put it aside for a couple of days to let it lie fallow. Once I figure out exactly what I want it to look like and what information needs to be used to annotate it, then the execution of the final graphic will just take a few hours.

China Income and Population for last 2,000 Years

Adjusted for inflation using 1990 International Geary-Khamis dollars



Source: Angus Maddison, University of Groningen

Does the world need more economists to be graphically literate? Why?

You seem to have found a niche for yourself, can this practice develop into a full time occupation?

Yes, I think the timing is right to try this full-time. I have seen the demand for this type of work increase in the last couple of years, even in a bad economy. Also, I have received funding for the first time this year from two sources: first from a crowd-source fundraising site called Kickstarter. The second from America University J-Lab's 'New Media Women Entrepreneurs' initiative supported by the McCormick Foundation.

I think anyone who is dealing with data and wants to present it to others needs to be graphically literate. When it is done well, it is the best method to help people develop insight into the meaning of the data. However, a poorly done visualization gets in the way of people's understanding.

Can you impart any advice about the use of graphic illustrations for people aiming to influence economic policy?

Annotations are very important to add context around the data but you don't want to overwhelm it. Show

too much and it becomes visual clutter. You can help people understand what is a large or small value by showing the entire historical data series and add the average, median or trendline to the graph. Provide a timeline with historical events that help explain the changes in the values. Or add another data series to compare to the main dataset and illustrate the relationship between the two. Also the visual hierarchy needs to make the most important information pop in the graphic. For example make a few important items red or orange and use gray for everything else; bold or increase the size of the text that you want the viewer to read or add white space around this text so it stands out.

The Third Way: Why Business and Unions are Both Wrong

Bryan Kavanagh - Director: Land Values Research Group

www.thedepression.org.au



The Henry review of the tax system seems to offer the only solution for Australia.

Newspaper editorials seem mystified that retail spending is down. They point to the fact that Australia's national debt, unlike other nations, is well under control, as though this is somehow germane to our commercial slowdown.

Editors also reflect that maybe online shopping is responsible for cutting a swathe through spending in the shops.

In an obvious effort to be optimistic, there's no mention of the world record ratio of household debt to disposable income, i.e. above 150 per cent, to which Australians have shackled themselves in recent years.

Many people have hit the

stumbling block and been forced to cut back on their spending, but others, aware of the catastrophic effects of the financial collapse overseas, have set themselves on a debt reduction program. Accordingly, a slight downturn in the ratio nearer to the 150 per cent mark shows their efforts are beginning to work. Unfortunately, such reduction in household debt doesn't assist our economic performance.

Surely then Australia's world record household debt levels explains the collapse in consumer confidence and demand? Mortgage debt, of course, accounts for by far the greatest part of household debt, and credit cards for much of the rest.

So, how does politics' Left respond to this unwelcome slowdown?

Unions are looking for pay rises for their workers. They say this will help relieve their members' debt and might get them spending again. Unions will be aggrieved that Qantas wants to put off 1000 staff to restructure towards Asia and at OneSteel's and BlueScope's announced job cuts - and they know more can be expected in retail if things don't change. So, more money in workers' pockets will resurrect economic activity, they claim. And they're partly correct.

Meanwhile, marking the 20th anniversary of the Superannuation Guarantee Levy, Paul Keating notes that unit labor costs decreased every year the levy rose, from 4 per cent in 1991 to 9 per cent in 2002, despite employers claiming it would prove to be a cost to them. He'd like it increased to 15 per cent, but will settle for 12 per cent immediately.

Mr Keating apparently hasn't noticed average weekly wages have trended down ever since 1972. (Some apparent real increases since 1998 were at least partly the result of redefining Australian CPI following the US Boskin Commission's recommendations in 1996, wherein it opined the CPI had been overstated, and used more stable "rental equivalents" in preference to house prices.)

As Paul Keating dusts down his Louis XVI clocks, one wonders whether he has workers' interests at heart, or just his own place in Australia's economic history. Isn't workers' most immediate need in hard times to be able to access their own earnings? Isn't compulsory superannuation based upon the incredibly patronising premise that governments and super funds know better than you how to manage your retirement and financial affairs?

For that matter, now that the union movement itself has an integral stake in industry superannuation funds, wherein lies its true allegiance? Does it lie in making favourites out of particular shares, or certain REITs, or in looking after the here and now of its members, as once it did?

On the other hand, business is becoming choleric about the possibility of further wage increases. Salary rises have recently exceeded increases in productivity, they rightly claim, despite the longer trend in real average weekly wages having declined from the outset of the 1970s.

So, you can bet that industrial relations, which for employers amounts to keeping the lid on salaries if production isn't also increasing, is again about to hit the headlines and become contentious. Like the unions' logic that wage increases will help increase effective demand, that these should not be allowed to occur unless there is a corresponding increase in productivity also seems a valid proposition. Both sides are partly right.

However, as our economic performance worsens, the inevitable outcome of rapidly hardening attitudes between

unions and business is likely to be greater strike action and IR conflict. Whilst this tension between labour and capital is age-old, neither side offers resolution to the immediate problem of ineffective demand.

If unions have their way with pay rises, it will be inflationary and put further pressures on business to reduce staffing levels. If business holds its line on no further pay rises, from whence shall effective demand arise?

If the current approaches of labour and capital can be seen not to address the problem, is there any alternative to these rapidly bifurcating attitudes? Must we find ourselves in one camp or the other?

Let us consider how to provide wage increases without adversely affecting business or generating inflation.

The Henry review of the tax system seems to offer the only solution for Australia. Ken Henry's panel strongly argued the need to abolish many inefficient taxes that adversely affect business, increase its costs and add to consumer prices.

The tax inquiry showed a transition to a greater reliance upon natural resource rents and reformed State land taxes, both being in the nature of a

community-generated surplus product, otherwise known as economic rent, won't add to business costs if a greater part of it is captured to revenue coffers.

As natural resource-based revenues do not add to business costs is the one point on which all economists do agree, it's a pity neither of the major parties has been prepared to take this up and educate the public to that effect. Vast ignorance exists on this critical point, and the parties remain fearful and delinquent in not mentioning it.

It is therefore clearly possible that tax cuts can deliver increased incomes both to businesses and consumers without being inflationary.

Is this not the solution to the impasse currently confronting unions, businesses and all Australians? Would not this action assist debt to be paid down whilst also restoring consumer confidence that the tax system is finally providing better signals, namely, that increased productive effort will be rewarded instead of punished?

If the public tax forum to be held in Canberra on 4th and 5th of October fails to grasp this nettle, Australia's economic future appears certain to grow increasingly bleak.





Australian News And Views

Geoff Forster

THE HIDDEN RECESSION:

A lengthy feature in THE AGE of July 9 was entitled "The Hidden Recession". Signs of deterioration were reported in various areas, e.g. building approvals, retail sales, declining jobs in various areas and problems in the manufacturing sector. One organization reported 15 retailers on their books fighting to stave off receivership. Various factors were mentioned, such as the global financial crisis, and changes in spending versus saving habits. However, as long as our society ignores the inescapable role of the role of site rents, together with our complex, punitive tax setup, economic problems are inevitable.

THE RENT PROBLEM:

There was at least one letter to the Editor in THE AGE which acknowledged the rent problem. It was from a retailer who ran a traditional shop and also an online business separately. He pointed out that the exorbitant rents that major shopping centres and landlords charge ensure that any profit made by small retailers goes first to the large landholding organizations. Many stores operate at a loss in the hope that the Christmas season will save the day.

MELBOURNE IN 7TH:

A recent report from "The Economist" puts Melbourne in seventh place as the seventh priciest city in the world. It follows Tokyo, Oslo, Osaka/Kobe, Paris, Zurich and Sydney. The survey is based on sampling prices of more than 400 items from a range of stores in 133 cities around the world. Just two years ago Sydney was ranked 32 and Melbourne 38. The AMP chief economist attributed the climb for the Australian cities partly to the cost of housing. Another comment was that the changes were due to Australia becoming more prosperous. But exactly who? Certainly the prosperity is not evenly diffused throughout Australian society.

STARTLING RIOTS:

From an Australian perspective the riots in Britain were of course quite startling. One is reminded of a passage in Henry George's PROGRESS AND POVERTY beginning with the question: whence will come the new barbarians? During the 20th century there were various opportunities for Georgism to be introduced in Britain, but they were thwarted by the power of privileged interests. It was reported that the unevenness in the distribution of wealth in Britain is at its worst since the 1920s. No doubt a variety of factors are involved, but failure to collect the rental value of land is a major one.

ATO SCRUTINIZES EBAY:

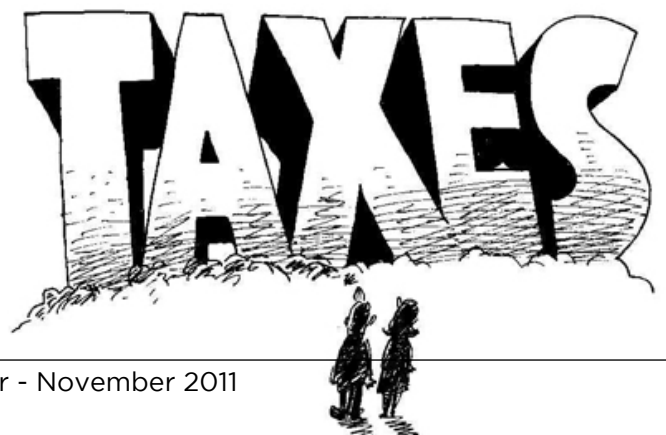
The Australian Tax Office is expanding its scrutiny of retailers who sell their goods on eBay, in an effort to locate businesses who do not report all their income. The use of eBay is widening. So far the ATO has reviewed 500 online sellers, but plans to review a further 2000 in the current financial year. Here is a further example of the needless complexity of the current revenue system; under a Georgist system, all this nonsense would become redundant.

POOR PARENTING:

A recent study of life in Australian families suggests that jobless people are more likely to have poorer parenting skills and that their children are being left behind on almost every measure of learning and development. The longer the parents are unemployed, the worse the disadvantage occurs for their children. Australia has a relatively high rate of jobless families - at 12 %, it is double the average of other similar economies. Underlying all this of course is the effect of the unchecked rising price of land, together with the pervasive destructive influence of our taxation.

CLASS LINES:

Numerous reports giving statistics about housing continue to fail to distinguish between the price of the actual dwelling, and the price of the land where it is situated. In June the median house price for Melbourne was \$590,000; for regional Victoria the figure was \$325,000. Curious variations between different districts were reported. Noteworthy was the comment of the REIV Chief Executive, where the bias was towards the sellers rather than the buyers. Another report asserted that house prices were being segregated along class lines. Rises in the inner and middle suburbs outpaced those furthest out, leaving poorer families with fewer choices about where they live. All that two authors of this study could recommend was for governments to focus more on increasing the supply of affordable rental housing in inner and rental suburbs, and incentives for social housing in redevelopments by various developers.



14 AND UNDER:

A recent study has shown that children 14 and under from the lowest socio-economic areas are:

- Almost twice as likely to die as infants.
- Nearly three times as likely to die owing to injury
- 30% more likely to be born with low birth weight
- 60% more likely to have dental decay
- 70% more likely to be overweight or obese.

It is acknowledged that psychological factors such as family violence or parental drug or alcohol addiction, parental depression, or sexual abuse are involved. But the socio-economic factors are clear - further evidence of our failure to recognize the role of land tenure and the accompanying taxation absurdities.

ALCO-POPS FALL:

The latest statistics on alcohol consumption show that alco-pop sales have continued to fall in the wake of the 70% tax increase imposed in 2008 on the premixed spirit drinks. Ideally Georgists would prefer the removal of all taxes on commodities. However it can be argued that, in view of the social harm caused by excessive alcohol consumption, a levy on its consumption is justified to help pay for the social costs generated thereby. In any case here is an illustration of the fact that the power to tax does have significant consequences. Thus one wonders about the quantitative impact of the GST on various commodities.

RETAILERS COMPLAIN:

There has been controversy about the fact that the GST does not apply to online imports worth less than \$1000. Retailers are complaining that their sales are suffering because more and more shoppers are going online. Staff reductions are either occurring or threatened. Not surprisingly the Federal Government is reluctant to reduce the threshold for electoral reasons. There is talk about a level playing field (though this seldom crops up in relation to access to land sites). Here of course is a further indicator of this cumbersome impost.



Rates and land tax are notionally already in the gross rental paid by a tenant, and cannot be 'passed on' again to the tenant:

1 Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenants, to whom the landlord is obliged to allow it in payment of the rent. - Adam Smith "Wealth of Nations" Book 5, Ch 2

2 A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else... A tax on rent, therefore, has no effect other than the obvious one. It merely takes so much from the landlord and transfers it to the State. - John Stuart Mill (1806-1873) "Principles of Political Economy" Book 5, Ch 3, Sect 2

3 The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer. - Professor James E Thorold Rogers "Political Economy" 2nd ed Ch 21, p 285

4 A tax levied in proportion to the rent of land, and varying with every variation of rents... will fall wholly on the landlords. - Walker's "Political Economy", p 413

5 The incidence of the ground tax, in other words, is on the landlord. He has no means of shifting it; for, if the tax were to be suddenly abolished, he would nevertheless be able to extort the same rent, since the ground rent is fixed solely by the demand of the occupiers. The tax simply diminishes his profits. - ERA Seligman "Incidence of Taxation" pp 244-245

6 A tax on rent would affect rent only: it would fall only on landlords and could not be shifted. The landlord could not raise the rent, because he would have unaltered the difference between the produce obtained from the least productive land in cultivation and that obtained from land of every other quality. - David Ricardo "Principles of Political Economy and Taxation" Ch 10, Sect 62

7 The way taxes raise prices is by increasing the cost of production and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax upon rent compels owners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land for speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land. - Henry George "Progress and Poverty", Book 8, Ch 3

LATIN AMERICAN REVOLUTIONS

David Smiley



Pic: youronevoicecanmakeadifference

The land question has dominated the history of political and social struggles...

In a previous article (Do revolutions work? July-August 2011) I suggested that the French, Russian and first Chinese revolutions were so violent and costly that, if there were indeed any net benefits, they were disappointingly short-lived. Later revolutions, for example the land redistributions in Japan, Taiwan, South Korea and, after 1976 in China, were nonviolent, almost costless, and led to extraordinarily high rates of economic growth. But these societies now face rapid urbanisation, real estate corruption, and rising inequality. The reason is that land redistribution is appropriate to rural land only. I then argued that, in all these cases, the revolutionaries had ignored advice freely available from JS Mill, Thomas Paine, Friedrich Engels, and Henry George. This advice was that the public collection of all land rent could achieve

social justice and economic efficiency with minimal cost and without disturbing property rights of ownership and use. Recent events suggest that such a reform would also reduce the real estate speculation that appears to lead to global financial collapses.

There are three regions of the globe that have long suffered violent and costly revolutionary upheavals. The United Nations calls these: Middle East and North Africa, Sub-Saharan Africa, and Latin America and Caribbean. In the March-April issue I predicted that those upheavals sweeping across the Middle East and North Africa would be successful only if they addressed the huge imbalances in the ownership of land and natural resources. In the present article I will now ask the question "Do Revolutions Work?" for Latin America.

The first peoples of Latin America had crossed the Bering Strait from Asia and worked their way down. On a Boy Scout camp in Guyana I once paddled a dugout across the lake to visit an Amerindian tribe and see the wild boar they had just shot with bows and arrows. In my high school classroom sat the descendants of the other "tribes" that had virtually replaced these vulnerable Amerindians. We came from Britain, Portugal, Spain, Africa, Bengal, and China into that region the World Bank calls "Latin America and Caribbean".

Conquest. "Latin America is the product of conquest. Conquest is the seizure by others of the sole basic economic resource, land" (Calvert). The land question "has dominated the history of political and social struggles since independence and looks set to do

so well into the twenty-first century.” (Calvert). From the start “Land was the major economic resource, the major determinant of social status, and the major source of political power in Latin America....Owners of large tracts of land quickly became the wealthiest people in a given community dominating all aspects of life through their influence on agriculture, government, the Church, and the local economy.” (Chasteen). “Without access to land, hunters and gatherers cannot find food and crops cannot be grown”. When new immigrants arrived they “found that no land was available to them. It had simply been distributed amongst existing large landowners” (Calvert).

Slavery. In Brazil and the Caribbean slaves were imported from Africa to work on sugar estates. With very cheap labour you can profitably grow sugar, then chop down forests, and then dig up minerals. So those who own the land live in town, delegating management to plantation overseers, usually of mixed race and brutal. By the time I was a schoolboy in Barbados the penalties were less severe. Caught stealing sugar cane by an overseer with a large cutlass all I got was the leather strap.

Internal conflict. Revolutions, coups, wars of independence and civil wars were all fought over land and natural resources. Right wing military governments and juntas became skilled in kidnapping, torture and murder. Chile had five revolutions in one year, and Colombia went through a “War of a Thousand Days”. There were upper class white warlords, called Caudillos helping to maintain white people at the top of the social hierarchy, while blacks and indigenous people stayed at the bottom. Where the military was always on the move, soldiers rode horses while wives, prostitutes and children had to walk to the next camp, as camp followers. Today women and children are still following their men, but into distant camps

The public collection of the rent of land achieves social justice and economic efficiency without disturbing property rights.



devoted to deforestation, mineral and energy extraction.

External interventions. From Europe and the US came gunboats, transnationals monopolising the extraction of food, minerals and energy (Most Bolivian miners in the foreign owned tin mines died before the age of 30), large scale military aid for Latin American armies and the training of their officers in counterinsurgency in the School of the Americas. America’s United Fruit Company became the largest landowner and greatest financial power in Central America.

Then came the CIA, and well-meaning but often harmful organisations known as the World Bank, the IMF and the NGOs. In the country that I grew up in transnationals extracted and shipped out sugar, gold, diamonds, timber and bauxite. My high school French teacher later entered politics, assassinated his way to the top and got the CIA to destabilise the economy so he could take over the presidency.

A few case studies. In 1900 Argentina’s natural resources put it at the richest country in the world (Australia was a close second). But a string of right wing governments and pressure groups kept this wealth in the hands of rich rent-seekers (are

there similar dangers in Australia?). In Belize an oligarchy of wealthy settlers once owned 80% of the land, 50% of the slaves, and a monopoly on all trade. While travelling in Spain in 1997 I picked up the following newspaper article: “The Pope John Paul II recently demanded of the President of Brazil “una inmediata reforma agraria” for a country where 90% of the arable land is owned by 20% of the people while 20% live in the most “complete miseria” (La Gaceta, Salamanca, octubre 11, 1997). While I still wait patiently for further news on this I noted that the governor of Amazonia had proposed “a chain saw for each family” and “they razed an area the size of Belgium...the smoke blew east to Africa and south to Antarctica.” In 2010 the Guardian Weekly printed a suggestion that Guatemala’s poverty was due to high VAT and indirect taxes. Next month they printed a letter from David Smiley suggesting that if the correspondent had googled Guatemala land reform, “she would have found that two percent of the population owns 70% of all productive farm land, suggesting a somewhat different reform.” Paraguay was once invaded by Uruguay, Brazil and Argentina, all in search of scarce resources. This invasion wiped out half of Paraguay’s population and 80% of its men.



revolutionaries have tried to follow Stalin down similar paths to failure. It is ironic that, while four out of five Latin Americans now live in cities, and the rest work for agricultural and mining transnationals, reformists are still advocating land redistribution, which brings me to my conclusion..

My conclusion remains the same for Latin America as elsewhere. The public collection of the rent of land achieves social justice and economic efficiency without disturbing property rights. Australia has done this successfully, in its local government rating scheme, for over 100 years. Land sites are registered under Torrens Titling, then valued and taxed by local governments. The present rates, which are very low, could be raised, compensation coming from corresponding reductions of inefficient taxes on labour and savings.

Slums. Across the world, over-urbanisation is creating capital-intensive country-sides and labour-intensive de-industrialised cities. In Latin American cities are growing at a rate twice as fast as that of population, and most of that is in slums. The resultant overcrowding has led to the absurd situation in which a square metre of slum is more profitable than a square metre of other types of real estate. For re-development evictions then follow, 139,000 in Rio de Janeiro. Those slums built on steep land are catastrophically prone to slope failure and landslides, those bordering rivers are vulnerable to flooding. Slums are also particularly vulnerable to fire and earthquakes. As a result of all this Latin America now is "A proletariat without factories, workshops and work, and without bosses, in the muddle of the odd jobs, drowning in survival and leading an existence like a path through embers" (Davis).

Reform generally is a dangerous occupation. For example, Chilean President Allende was killed so his land reforms could be reversed. Argentine death squads interrogated, tortured and "disappeared" 20,000 reformers. When Oscar Romero, Archbishop of El Salvador, said "When I help the poor they call me a saint, but when I ask why they are poor they call me a communist" they gunned him down while he was celebrating Mass. Reforms often benefit the rich. For example, the neoliberal reforms of the Chicago School of economists lifted Chile's economy but left it with a distribution of wealth amongst the most unequal in Latin America. Reforms can be avoided as when a famous Spanish landowner said "I obey but I do not comply". Reforms can also be misguided, as when Peru's Shining Path was following that of Mao which led to the death, by starvation, of 45 million Chinese. Elsewhere in Latin America

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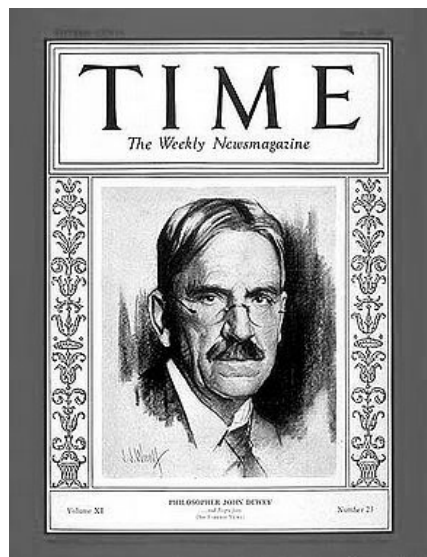
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GEOISTS IN HISTORY

John Dewey (1859 – 1952)

Karl Williams



Dewey made a strong case for the importance of education not only as a place to gain content knowledge, but also as a place to learn how to live. In his eyes, the purpose of education should not revolve around the acquisition of a pre-determined set of skills, but rather the realization of one's full potential and the ability to use those skills for the greater good.

You mightn't have heard his name before but – by Crikey! – you'd better be grateful for the sweeping reforms he made to educational methods. Perhaps no-one in history (and certainly none in the USA) has brought about the modernization and humanization of teaching methods more than the esteemed philosopher, psychologist and educational reformer, John Frederick Dewey.

When Dewey was born in 1859 in Vermont, school was a deadly dull experience, weighed down by rote memorization and absorption of what all-too-often seemed to be meaningless facts and figures. Born into a typically-straight middle class family of the day, his father was a local merchant who loved literature and his mother possessed a stern moral sense based on her belief in Calvinism. Yet Dewey's curiosity lured his interest into other cultural perspectives, with alternative ways of seeing the world being awakened in him from nearby Irish and French-Canadian settlements. Boyhood jobs delivering newspapers and working at a lumber-yard added to his knowledge, and he copped a heavy

dose of the harsh realities of life at an early age for, while visiting his father who was serving in the Union Army in Virginia, he viewed the horror of the Civil War (1861–1865) firsthand. It should come as no surprise, then, that he soon outgrew his mother's conservative church to seek out a more liberal religious perspective.

For someone who was to become a giant of the educational world, it may seem strange that Dewey was an unremarkable student at school, but perhaps the boring teaching methods inflicted on him served to stimulate his later reforms. His sharp intelligence kicked in hard at the University of Vermont, though, especially in psychology, religion, ethics and logic, and he achieved top results due to an uncommon faculty of the times which encouraged their students to be themselves and to think their own thoughts. This was more grist for the mill to be turned over by Dewey's keen powers of both external and internal observation.

Thus began a lifetime in academe, most of which was at New York's

Columbia University. One of Dewey's early reforms was in the elevation of pedagogy, the study of being a teacher and the process of teaching. Strategies and styles of instruction were formed under Dewey into a separate department which would train its students to be specialists in education, with Dewey heading both the new pedagogy department as well as the philosophy department. It wasn't long at all before Dewey's writing about education made him the acknowledged leader in American educational philosophy.

The influences on Dewey's educational transformation were many and varied, and he was by no means limited by his own Anglo culture. After the First World War Dewey studied education in Japan at the Imperial Institute and then spent two years teaching at universities in China. He also carried out research in Turkey (1924), Mexico (1926) and the Soviet Union (1928).

Dewey's discoveries and insights can't be summarised briefly, but



“Henry George did more than draw ‘the deadly parallel of riches and misery.’ He recast the science of political economy by working out the natural laws of the distribution of wealth. He destroyed the current academic theory of wages and capital. He amplified and extended Ricardo’s law of rent. He dug to the root of the wealth distribution.”

here goes anyway. At this time most teaching placed more importance on imparting ideas than on creative thought. Against this, Dewey became a believer in "instrumentalism," a belief that thinking is an activity which, at its best, is directed toward resolving problems. Essentially, his influence was a leading factor in the eradication of authoritarian methods, and instead shifted the emphasis to learning through experimentation and practice.

Dewey believed that universal education could train men to break through habit into creative thought, and he continually argued that the school itself is a social institution through which social reform can and should take place. Dewey made a strong case for the importance of education not only as a place to gain content knowledge, but also as a place to learn how to live. In his eyes, the purpose of education should not revolve around the acquisition of a pre-determined set of skills, but rather the realization of one’s full potential and the ability to use those skills for the greater good.

Integral to all of this, Dewey also actively participated in movements to forward social welfare and women's suffrage. He also served as an editor of the *New Republic* magazine and helped found the American Civil Liberties Union, the American Association of University Professors and the National Association for the

Advancement of Coloured People. In public affairs he was one of the first to warn of the dangers from Hitler's rise to power and of the Japanese threat in the Far East. Somehow he also managed to cram into his life the writing of 40 books and over 700 articles, in addition to countless letters, lectures, and other published works.

Dewey was also a great advocate of democracy, but his ideas on the nature of democracy probed much deeper than anything you’ll ever hear in a pub on a Friday night. Dewey considered two fundamental elements—schools and civil society—as being major topics needing attention and reconstruction to encourage experimental intelligence and plurality. He asserted that complete democracy was to be obtained not just by extending voting rights but also by ensuring that there exists a fully formed public opinion, accomplished by effective communication among citizens, experts, and politicians, with the latter being accountable for the policies they adopt.

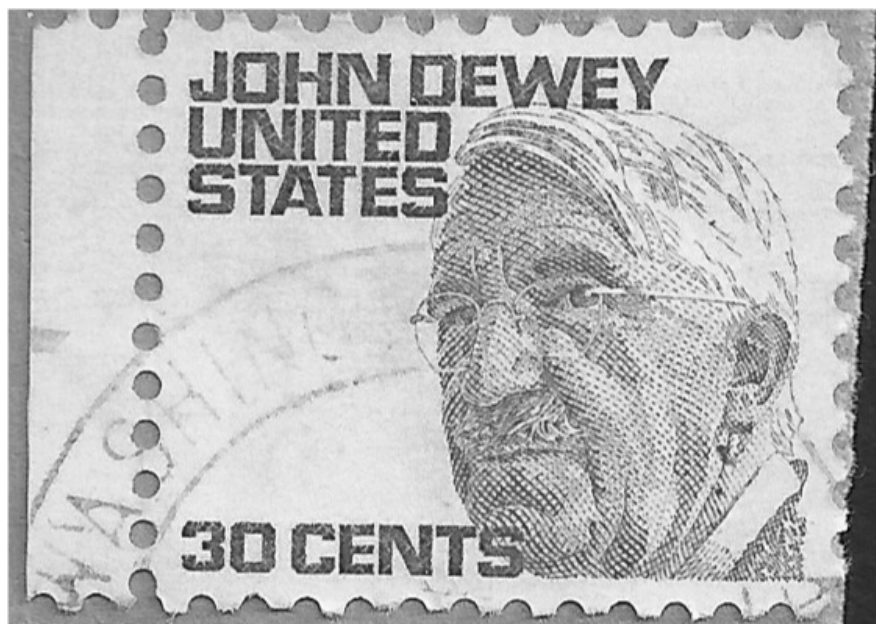
Dewey’s place in history is assured, and is considered to be perhaps the preeminent voice in American educational philosophy, with emphasis on what is generally called "progressive education." We can almost follow the train of Dewey’s thought processes that led him to embrace geoism when we observe how Dewey extends his reach from education to the formation

of the good society, for Dewey would come to strongly emphasise how education could improve society. Dewey argued that it was the job of education to encourage individuals to develop their full potential as human beings. He was especially critical of the rote learning of facts in schools and argued that children should learn by experience. In this way students would not just gain knowledge but would also develop skills, habits and attitudes necessary for them to solve a wide variety of problems which would in turn unveil a harmonious and prosperous society.

The key in the mind of Dewey the democrat was to show the important links between education and politics. Dewey believed that active learning would help people develop the ability and motivation to think critically about the world around them. Progressive education was therefore a vital part of a successful democracy as it was necessary for people to be able to think for themselves. Dewey also argued that the development of critical thought would also help protect society from the dangers of dictatorship.

Is it any wonder, then, that such an extraordinary soul with an insatiable appetite for knowledge and research would come to discover and embrace the teachings of Henry George? From all accounts, this interest kicked in strongly in Dewey’s mid-thirties when rubbing shoulders

“It is the thorough fusion of insight into actual facts and forces, with recognition of their bearing upon what makes human life worth living, that constitutes Henry George one of the world’s great social philosophers.”



with leading intellectuals in the political hotbed of Chicago. Dewey had studied and rejected Marxism as unscientific utopianism, and was ready for something meatier to tackle what he saw as too much wealth in the hands of a few men, but right education was the means of bringing it about.

There’s not one iota of doubt that Dewey was a fully conversant and committed geoist. He joined the League for Independent Political Action, which advocated among other reforms, public ownership of coal mines and of the electric power industry, taxation of land values and free trade. In 1928 he wrote “An Appreciation of Henry George” and in 1932 became the Honorary president of the Henry George School of Social Science. The next year he wrote the foreword to *The Philosophy of Henry George*. In 1937 he began his appointment as president of the Henry George School of Economics. Over his long career at Columbia University he continued to combine ideas with practice by advancing geoist ideas. He helped found the *Georgist Freeman* magazine, and the still-running *The American Journal of Economics and Sociology*. His 1933 radio address, “Steps to Economic Recovery”, is nothing short of a miniature Georgist masterpiece.

Alas, he tried and tried hard, but failed. He jumped at many opportunities, but it seems that his educational reforms hadn’t sufficiently affected his audience for his message to take root. For instance, in 1939, he reacted to a newspaper report which quoted Henry Ford as declaring, “I hope to see the day when all idle land will be taxed heavily enough to force it into use.” Dewey fired off a letter to Ford in which he wrote, “I am very glad to see you quoted in the *New York Sun* of October 3rd in favor of such heavy taxation of idle land as will force it in use, and your clear conviction of the importance of such action in connection with useful employment, especially of young men.” Dewey goes on to urge Ford to become involved in the HG School of Social Science (of which Dewey was then president), to no avail.

“Henry George is one of the great names among the world’s social philosophers. It would require less than the fingers of the two hands to enumerate those who, from Plato down, rank with him.... No man, no graduate of a higher educational institution has a right to regard himself as educated in social thought unless he has some firsthand acquaintance with the theoretical contribution of this great American thinker.”

This great geoist, democrat and educator died with his boots on, working on numerous fronts. He largely succeeded in his educational reforms but his great geoist struggles never bore much fruit in his lifetime. If he had actually succeeded in bringing about the conferring to all humanity the equal opportunity to access what should be our Common Wealth, then this would have undoubtedly paved the way to prosperity and so to a rich education and in turn to true democracy. Still, he lived and worked in hope, for we must have hope or starve to death.

Next issue: the 19th century English classical philosopher, Christian heretic, parliamentarian and economist, Professor Thorold Rogers

Letters



Regurgitated Untruth

Australian Financial Review, 10th August 2011

Joanne Seve (Letters, August 5) regurgitates the property lobby's favourite untruth, namely that land tax is passed on to tenants.

In its crudest form, this argument expects the reader to assume that a land tax is analogous to a sales tax. It isn't. A seller can pass on a sales tax by holding out for a higher price, and can afford to hold out because the tax isn't payable until the item is sold. But if a landlord tries to pass on a land tax by holding out for higher rent, the tax is payable in the mean time, but there is no rental income with which to pay it. So the tax increases the pressure on the landlord to find a tenant. And you attract a tenant by REDUCING the rent, not by raising it!

In a more sophisticated form, the argument alleges that because owner-occupied housing is exempt from land tax, landlords can avoid the tax by selling to owner-occupants, reducing the supply of land for rent, hence raising rents. That reasoning is faulty on two counts.

First, to the extent that the tax reduces the supply of land for rent, it increases the supply for owner-occupation. This in turn draws demand out of the rental market and into the owner-occupation market, offsetting the effect on rents.

Second, if the argument is valid to any extent, it means that rents are higher than they would be if the land tax applied across the board — NOT that rents are higher than they would be if there were no land tax at all. If there were no land tax, landlords would have less need to sell or let their vacant properties, so that both prices and rents would rise.

Gavin R Putland
Land Values Research Group
Melbourne Vic



It's always nice to hear from the public, especially when the words are as encouraging as in this letter (below) sent to our own David Collyer:

Hi David,

First of all thank you very much for all your work in speaking out about affordability for young Australians. Your work has saved myself and I'm sure hundreds of young Australians from losing thousands of dollars and years of unhappiness.

I attended the property bubble debate at the Wesley Centre in Sydney and honestly thought you put forward the best case. Steve (Keen)'s was a little over people's heads but that's a professor for you. Kris (Sayce) also put his case clearly. I'm sorry I couldn't come and meet at the end; I saw you were busy and had to get back to work. I totally agree - "watch what the speculators do".

I recently read Phillip Soos' report and think it the best summary of the property market to date. Also I think your calling the popping of the bubble back in April was spot on.

I am astonished people still take on so much debt and are still considering buying in. I have two mates and my girlfriend's sister that recently bought, and have been screaming blue murder at them, but it is just not enough to recommend your opinion.

Keep up the good work!

Jonathan Thwaites
Sydney

Land Rent Scheme

The Canberra Times on Wednesday 3 August 2011.

The ACT Land Rent Scheme offers the best hope of solving Australia's housing affordability problems, provided that it can be developed to its next logical phase. The ACT Government has shown courage and innovation in establishing the ACT Land Rent Scheme. By renting a block of land from the ACT Government, homebuyers can take up half-sized mortgages (albeit currently at higher interest rates) by borrowing only the balance required to build their new home.

Yet fairness demands that this scheme be made more economically viable. Land Renters are forgoing the huge windfall gains accrued by private land owners and banks as land values rise. Conversely, as land values increase, so does the land rent liability of Land Renters. Land Renters are generally paying 4% per annum (or 2% if on a lower income) of the Unimproved Value of the site. This is fair enough except when you consider that Land Renters are still required to pay Stamp Duty, Rates, Income Tax, GST and dozens of other taxes and charges. The Land Renters are paying their dues to society at least twice over!

The Commonwealth must now back the initiative by exempting ACT owner-occupier Land Renters from income tax, commensurate with their Land Rent contribution. This could become a national policy in lieu of first home-buyers grants that merely serve to further drive up the price of land and housing.

Yours sincerely

Ronald Johnson
Secretary
Association for Good Government ACT Branch.



Karl Fitzgerald being filmed for Today Tonight at his desk.
Prosper Office, Hardware Lane, Melbourne.

GST Hurts Housing

Australian Financial Review on 26th October 2011

Tim McKibbin of the Real Estate Institute of NSW ("Australia cannot afford to exclude GST in forum", Letters, August 23) supports the GST being included in the October taxation forum.

By all means, let Australians have a genuine debate about tax reform. Yet if equity, economic prosperity and improved housing affordability are among our goals, John Howard's goods and services tax is one tax on property that needs not to be increased, but rather abolished.

The GST penalises consumers for buying goods and services including those associated with housing construction. The GST thereby hampers economic activity, employment and affordable housing. The GST operates to undermine by stealth the buying power of workers' wages and has sadly always had its hardest impact upon the lower paid.

On the other hand, the so-called land value taxation (LVT) is a form of revenue collection that is, in fact, neither a tax because it involves collecting the rental value of land sites. Collecting land rental values for public revenue is merely returning to the community a value created by community co-operation as embodied in public services.

The Henry review recommendation to replace stamp duty with LVT is a step in the right direction on the grounds of both efficiency and equity. Yet Henry went further and recommended an expanded role for LVT to be applied to all types of land.

Now here is a reform that could really prosper and affordably house all Australians, if only other regressive taxes on property such as the GST were concurrently abolished.

Yours sincerely

Ronald Johnson
Secretary
Association for Good Government ACT Branch.

THE BATTLE TO SAVE RUSSIA

David Barkley reminds us of Nicolaus Tidemans Letter to President Gorbachev



Pic: fotopedia/flickr

Four of the West's top economists - Nobel prize-winners Franco Modigliani, James Tobin, Robert Solow and William Vickrey - were among the signatories to an open letter to Mikhail Gorbachev in 1990/1991. The economists urged the Soviet President to retain land in public ownership, and to raise government revenue by charging rent for the use of land.

Had he acted upon their advice Gorbachev may have strengthened his hand, but was unceremoniously dumped in favour of Boris Yeltsin. The Russian people have an especially deep feeling for their motherland, and socialising land rents for revenue and slashing all other taxes may well have struck a sympathetic chord.

Mikhail Gorbachev
President
Union of Soviet Socialist Republics

Dear Mr. Gorbachev,

The movement of the Soviet Union to a market economy will greatly enhance the prosperity of your citizens. Your economists have learned much from the experience of nations with economies based in varying degrees on free markets. Your plans for freely convertible currency, free trade, and enterprises undertaken and managed by individuals who receive the profit or bear the losses that result from their decisions are all highly commendable. But there is a danger that you will adopt features of our economies that keep us from being as prosperous as we might be. In particular, there is a danger that you may follow us in allowing most of the rent of land to be collected privately.

It is important that the rent of land be retained as a source of government revenue. While the governments of developed nations with market economies collect some of the rent of land in taxes, they do not collect nearly as much as they could, and they therefore make unnecessarily great use of taxes that impede their economies - taxes on such things as incomes, sales and the value of capital.

Social collection of the rent of land and natural resources serves three purposes:

- First, it guarantees that no one dispossesses fellow citizens by obtaining a disproportionate share of what nature provides for humanity.
- Second, it provides revenue with which governments can pay for socially valuable activities without discouraging capital formation or work effort, or interfering in other ways with the efficient allocation of resources.
- Third, the resulting revenue permits utility and other services that have marked economies of scale or density to be priced at levels conducive to their efficient use.

The rental value of land arises from three sources. The first is the inherent natural productivity of land, combined with the fact that land is limited. The second source of land value is the growth of communities; the third is the provision of public services. All citizens have equal claims on the component of land value that arises from nature. The component of land value that arises from community growth and provision of services is the most sensible source of revenue for financing public services that raise the rental value of surrounding land. These services include roads, urban transit networks, parks, and public utility networks for such services as electricity, telephones, water and sewers. A public revenue system should strive to collect as much of the rent of land as possible, allocating the part of rent derived from nature to all citizens equally, and the part derived from public services to the governmental units that provide those services. When governments collect the increase in land value that results from the provision of services, they are able to offer services at prices that represent the marginal social cost of these

services, promoting efficient use of the services and enhancing the rental value of the land where the services are available. Government agencies that use land should be charged the same rentals as others for the land they use, or services will not be adequately financed and agencies will not have adequate incentive or guidance for economizing on their use of land.

Some economists might be tempted to suggest that the rent can be collected publicly simply by selling land outright at auction. There are a number of reasons why this is not a good idea.

- First, there is so much land to be turned over to private management that any effort to dispose of all of it in a short period would result in an extreme depression in prices offered.
- Second, some persons who could make excellent use of land would be unable to raise money for the purchase price. Collecting rent annually provides access to land for persons with limited access to credit.
- Third, subsequent resale of land would enable speculators to make large profits unrelated to any productive services they offer, resulting in needless inequity and dissatisfaction.
- Fourth, concern about future political conditions would tend to depress offers. Collecting rent annually permits the citizens of future years to capture the benefits of good future public policies.
- Fifth, because investors tend to be averse to risk, general uncertainty about the future will tend to depress offers. This risk aversion is sidestepped by allowing future rental payments to be determined by future conditions.
- Finally, the future rent of land can more justly be claimed by future generations than by today's citizens. Requiring annual payments from the users of land allows each year's population to claim that year's rent. While the proceeds of sales could be invested for the benefit of future generations, not collecting the money in advance guarantees the heritage of the future against political excesses.

The attached Appendix provides a brief technical discussion of issues of the duration of rights to use land, the transfer of land, the assessment of land, social protection against the abuse and subsequent abandonment of run-down property, and redistribution among localities to adjust for differences in natural per capita endowments. While these issues need to be addressed, none of them present any insoluble problems.

A balance should be kept between allowing the managers of property to retain value derived from their own efforts to maintain and improve property, and securing for public use the naturally inherent and socially created value of land. Users of land should not be allowed to acquire rights of indefinite duration for single payments. For efficiency, for adequate revenue and for justice, every user of land should be required to make an annual payment to the local government, equal to the current rental value of the land that he or she prevents others from using.

Sincerely,

Nicolaus Tideman,
Professor of Economics,
Virginia Polytechnic Institute
William Vickrey,
President for 1992,
American Economic Association.
Mason Gaffney,
Professor of Economics,
University of California.
Lowell Harris,
Professor Emeritus of Economics,
Columbia University.
Jacques Thisse,
Professor of Economics,
Universite Catholique Belgium.
Joseph M. Hartfield
Professor of Law,
University of Virginia
Gene Wunderlich,
Senior Agricultural Economist,
U.S. Department of Agriculture.

Daniel R Fusfeld,
Professor Emeritus of Economics,
University of Michigan.
Carl Kaysen,
Professor of Economics,
M.I.T
Elizabeth Clayton,
Professor of Economics,
University of Missouri
Robert Dorfman
Professor of Political Economy,
Harvard University.
Tibor Scitovsky,
Professor of Economics,
Stanford University.
Richard Goode,
Washington, D.C.
Susan Rose-Ackerman,
Eli Professor of Law
Yale Law School.
James Tobin,
Professor Emeritus of Economics,
Yale University.

Richard Musgrave,
Professor of Political Economy,
Harvard University.
Franco Modigliani,
Professor Emeritus of Economics,
M.I.T
Warren J Samuels,
Professor of Economics,
Michigan State University.
Guy Orcutt
Professor Emeritus of Economics,
Yale University.
Eugene Smolensky,
Dean of Public Policy,
University of California, Berkeley.
Ted Gwartney,
Real Estate Appraiser
Anaheim, California.
Oliver Oldman,
Learned Hand Professor of Law,
Harvard University.

Zvi Griliches,
Professor of Economics,
Harvard University.
William Baumol,
Professor of Economics,
Princeton University.
Gustav Ranis,
Professor of Economics,
Yale University.
John Helliwell,
Professor of Economics,
University of British Columbia.
Giulio Pontecorvo,
Professor of Economics
Graduate School of Business,
Columbia University.
Robert Solow,
Institute Professor of Economics,
M.I.T
Alfred Kahn,
Ithaca, New York.
Harvey Levin,
Professor of Economics,
Hofstra University.

Egalitarian Georgism

Gavin Putland

If you could choose the sort of society that you were to be born into, would you choose one in which the distribution of wealth is guaranteed to be equal?



If you could choose the sort of society that you were to be born into, would you choose one in which the distribution of wealth is guaranteed to be equal?

How would such a guarantee be delivered? Obviously by taking from those who produce more than average and giving to those who produce less. So there would be no material incentive to produce. So the average would plummet. Thus, in practice, an equal distribution of wealth reduces to an equal distribution of poverty. You can call such a society "egalitarian" if you wish; but you'd rather be born into something better.

Would you choose to be born into a society characterized by extreme contrasts of wealth and poverty? If you knew you would be one of the wealthy, that might seem a good deal.

But what if you didn't know? What if you had to choose your society without knowing what your place in that society would be? This is the so-called "veil of ignorance" popularized by John Rawls in 1971, as a means of eliciting honesty in deciding what is fair.

A society in which extreme wealth or extreme poverty were simply an accident of birth might be "egalitarian" in the sense that everyone has an equal chance in the lottery of birth. But for fear of being born poor, you'd rather buy your ticket in some other society's lottery.

Even so, it is not clear whether you would regard a rigidly unequal society as worse than one that guaranteed an equal distribution of poverty. If you were risk-averse, you might decide that the certainty of being poor

is better than the risk of being poorer. If you were more tolerant of risk, you might decide that a slim chance of being rich is better than the certainty of being poor. If you were sensitive to social status, perhaps you would rather be absolutely poor than relatively poor and would take that preference into account. But neither option is attractive.

What about a society in which your wealth or lack thereof depends solely on your own efforts? Such a society, unlike one that guarantees an equal distribution, has ample incentives to be productive and therefore produces ample wealth. And unlike a rigidly unequal society, it gives you a share of that wealth if you simply respond to the incentives. Such a society is "egalitarian" in the sense that everyone has an equal OPPORTUNITY to succeed. That's more inviting.



Pic: Highlighting the need for equality of access to land

“The Georgist system is characterized by equality of access to land”

There are many loose ends. We haven't specified whether the "veil of ignorance" extends to ignorance of your personal likes and dislikes, hopes and fears, or (perish the thought) moral strengths and weaknesses. More importantly, we haven't specified whether it includes ignorance of your inherited talents. Hence we haven't specified whether an equal-opportunity society should attempt to compensate for the effect of talent on opportunity and, if so, how it would distinguish between lack of talent and lack of diligence. But we have said enough to establish that equality of opportunity is a more desirable form of "egalitarianism" than equality of outcomes or equality of odds in a lottery.

It is also clear that the "opportunities" that need to be "equal" are those which people cannot make for themselves, and which we might therefore call "natural" opportunities. Given

sufficient natural opportunities, people will make such other opportunities as they need.

The Georgist system, of course, is characterized by equality of access to land, achieved not by dividing the land itself, but by dividing its value under the [dis]guise of taxation. Hence we must ask: To what extent is "land" synonymous with "natural opportunities".

In *Progress & Poverty* (book 1, chapter 2, par.21), Henry George wrote: "The term LAND necessarily includes, not merely the surface of the earth as distinguished from the water and the air, but the whole material universe outside of man himself... The term LAND embraces, in short, all natural materials, forces, and opportunities, and, therefore, nothing that is freely supplied by nature can be properly classed as capital."

The words "outside of man himself" exclude inherited talents. The same paragraph goes on to say: "In common parlance we often speak of a man's knowledge, skill, or industry as constituting his capital; but this is evidently a metaphorical use of language... Superiority in such qualities may augment the income of an individual just as capital would...; but this effect is due to the increased power of labor and not to capital."

Likewise, inherited talents are a quality of labour and are therefore not among those "natural opportunities" classified as land.

In the next three paragraphs, George further developed the distinction between land and capital and then returned to the word "opportunities" in a more inclusive sense: "Nothing... can be capital that is not wealth. But it is from ambiguities in the use of this inclusive term WEALTH that many of the ambiguities which beset the term CAPITAL are derived... [M]any things are commonly spoken of as wealth which in taking account of collective or general wealth cannot be considered as wealth at all. Such things have an exchange value...; but they are not truly wealth, inasmuch as their increase or decrease does not affect the sum of wealth... Such are lands, or other natural opportunities, the value of which is but the result of the acknowledgment in favor of certain persons of an exclusive right to their use, and which represents merely the power thus given to the owners to demand a share of the wealth produced by those who use them."

Note the implication that "lands" are included in "natural opportunities". So, provided that all qualities of labour, including inherited talents, are EXCLUDED, it would seem that equality of "natural opportunities" is the essence of Georgism. Apart from a possible quibble over differences in talents, it is also the essence of egalitarianism.



CHRISTIANITY AND HENRY GEORGE

Anne Schmid



Pic: flickr/andresrueda

Georgism really has no borders. We embrace the rich and the poor. Our philosophy tempers right and left thinking. We are rich in philosophy and yet we have always maintained a strong respect for research of current economic situations. Land is at the heart of our economic practices and the way we manage our land and resources reflects all our relationships with each other and creation itself.

Those of you who have read *Progress and Poverty* know that George was a deeply religious man. On sending a copy of his book to his father he wrote in a letter to him “... It is with a deep feeling of gratitude to Our Father in Heaven that I send you a printed copy of this book. I am grateful that I have been enabled to write it and that you have been enabled to live and see it. It represents a great deal of work and a great deal of sacrifice but now it is done. It will not be recognized at first maybe not for some time but it will ultimately be considered a great book.”

George clearly felt that his work had been inspired. He was sharing a great truth of creation with his readers. He was at the service of both God and humanity. This missionary zeal is sometimes misunderstood by believers and non believers alike.

In *Social Problems* George wrote. “The intelligence required for the solving of social problems is not a thing of the mere intellect. It must be animated with the religious sentiment and warm with sympathy for human suffering. It must stretch out beyond self interest, whether it be the self interest of the few or of the many. It must seek justice. For at the bottom of every social problem we will find a social wrong.”

Christians are well aware of the dangers of using the Bible to prove something. We have all seen how the bible has been used to justify slavery, wars, the subjugation of women to name just a few. There is however a biblical text which always interests Georgists. It can be interpreted in

**“Land must not be sold in perpetuity for the land belongs to me and you are only strangers and guests.”
Lev 25:23.**

different ways but its fundamental meaning remains. When we understand the economic nature of land i.e. that when communities develop by their presence and activity they bring about a locational value in land that should be captured for the common good, they see in the biblical verse of Leviticus 25:23 a profound truth. Archer Torrey in *Biblical Economics* remarks on “The Church’s habit of seeing this as a trivial issue” affects the general attitude of scholars and readers alike. And yet it is not a trivial issue as biblical verse refers to it time and time again.

Leviticus 25:23 “Land must not be sold in perpetuity for the land belongs to me and you are only strangers and guests.” Lev 25:10. “Consecrate the fiftieth year and proclaim freedom throughout the land to all its inhabitants. It shall be a jubilee to you; each one shall return to his family property and each to his own clan.”

We recognize the profound

understanding of the nature of land economics and relationship and of human nature in these verses. There is a timeless and universal quality about it. It is not a tool for specific land rights claims but it is a recognition that all people are born with an alienable right to land. There is always a grave danger in using the Bible to prove a point. We do not use it to point to the fact that georgism is right or that certain people have a right to a particular parcel of land. Georgists do not want the economic truth of this biblical passage to be lost in spiritual interpretations but to see that it receives its full earthly interpretation.

Even when we take this passage at face value there is a fathomless depth of meaning and imagination. And this is how it is read. It is not particular to the Judaic scriptures but is also found in the historic manuscripts of Mesopotamia where we hear of the King ascending his throne and finding his subjects burdened with debt. An indebted people have no loyalty and would be pathetic in battle. It was in the king's best interest to rule over a free people and so there was often a systematic releasing of debts on the enthronement of a new monarch. Leviticus uses this practice to show how their heavenly king expects his people to reside in the land.

It is a very good land plan. It first of all recognises the universal right to the land. It recognises the vicarious ways of doing business. Some families have good health, wise and enduring knowhow, ambition and family harmony. Others become sick, suffer misfortune, are slothful and for one reason or another fall on bad times. They are forced into debt to help to survive the bad patch which can linger on for generations. Leviticus does not judge but says carry on with business. Exchanges can be positive but carry on with the knowledge that in the year of Jubilee (every fifty years) land must be returned to the original recipient and thus maintaining a balance. It was



Pic: vectorportal.com

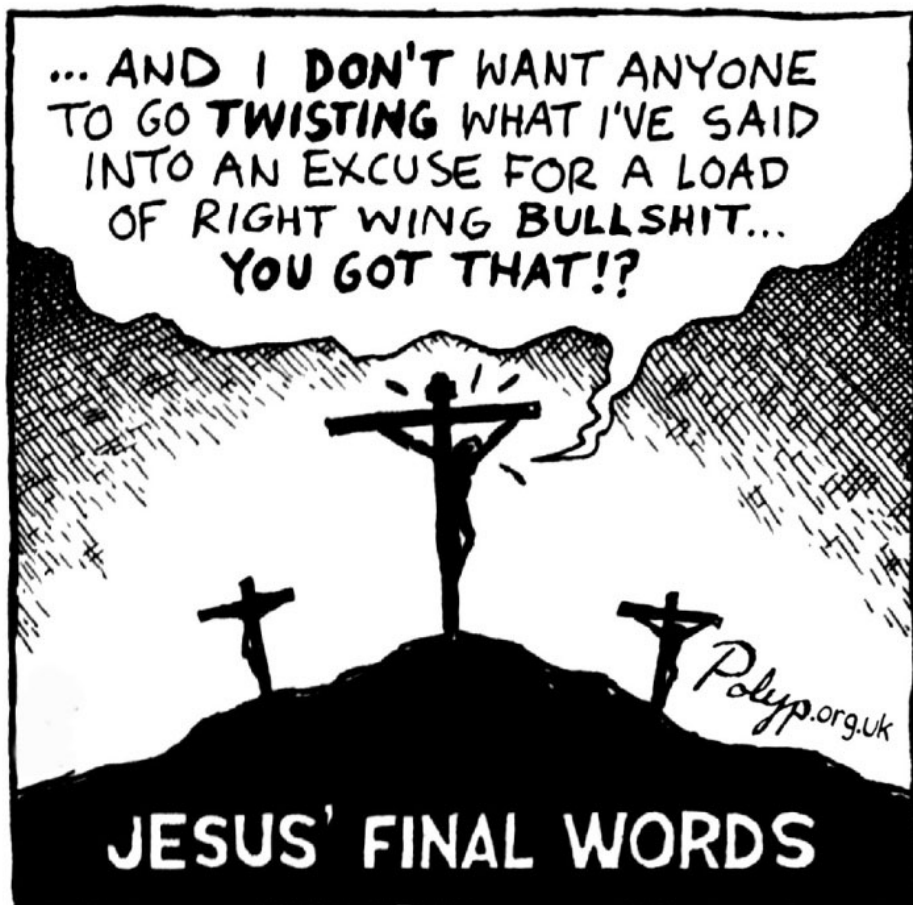
not enough to simply carve up land titles as in Deuteronomy but must go further. Leviticus releases the land in the same way that it releases slaves. It puts a brake on the extent that you can own a slave and likewise land.

The Jubilee passages are treated in three different ways by biblical scholars. The first group claims that the institution of Jubilee actually took place and date back to the time when Israel took possession of their land and that its purpose was to maintain a just distribution of land as God intended.

The second group of scholars notes the parallels with the Ancient Near East. In antiquity in order to bring stability to his kingdom the king would cancel debts, emancipate the slaves and restore alienated lands. This ensured a loyal army as an indebted people has nothing to fight for. This group believes that the laws were practiced intermittently.

The third group of biblical scholars believes that the law of Jubilee was never put into practice but was a utopian ideal which looked back nostalgically at more peaceful times. The Jubilee concepts were part of Israel's consciousness since its early beginnings but the final redaction (editing) was the work of post exilic writers. The Babylonian exiles wanted to establish their rights to land when they were released from captivity by the Babylonians and so gave the Jubilee passages more prominence.

“In order to bring stability to his kingdom the king would cancel debts, emancipate the slaves and restore alienated lands.”



Leviticus land laws may not have been systematically practiced but they were part of Israel's identity. This is shown in the story of Naboth's vineyard (1 Kings 20) where the king greedily commands Naboth to sell him his family's land. However Naboth chose to stand by the holy law of Israel and so lost his life. Prophets such as Amos condemn the plundering of the poor with "woe to you who join field to field until there is no more room so that you squat alone in the midst of land". . . And the prophet Isaiah speaks of the year of Jubilee and is quoted by Jesus when he proclaims Jubilee. It was more than a utopian ideal. It was part of the moral framework of the biblical people. It was part of the future to which the people aspired.

When the modern reader and scholar merely looks on Leviticus land laws as a quaint agrarian practice they miss the meaning entirely. There is a profound worldliness attached to these texts. They understand the workings of the business world. What biblical scholars need to do is to simply

read the texts at face value and marvel at the timeless and universal economic truth that they contain.

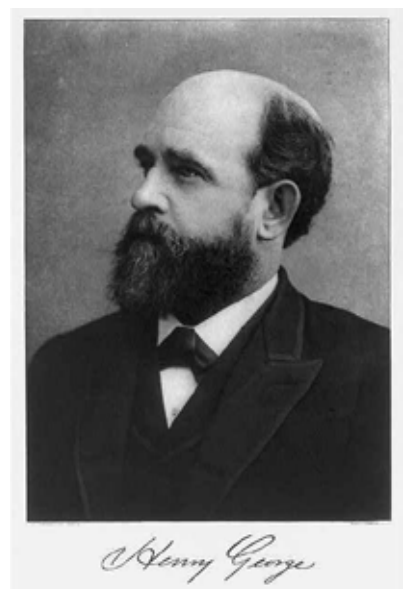
Leviticus jubilee laws are about debt and land. The primitive call to return to the land of their fathers is the expression of the law that none are to be excluded from the human family. We all have a right to the fruits of our labour i.e. a birthright to the land. Land is not a commodity to be bought and sold. By its nature land is gradually accumulated into the hands of the few unless special measures are taken. Georgists take this seriously. And that is the reason for a well managed land rent scheme.

Perhaps it is now time for an economic reflection. We can imagine a poor family from any time and any place being given a priceless gift of say a painting. This painting will not stay in the hands of the family for very long. Everyday needs of food, education and shelter will mean that the beauty of the painting will be forfeited to the rooms of the more wealthy so that the poor family can exist under

"It was more than a utopian ideal. It was part of the moral framework of the biblical people."

more favourable circumstances. This is an economic axiom that wealth gravitates to more wealth. Ownership of paintings is one thing. Ownership of land is another. In Leviticus the laws of God say that it is wrong for land to end up under the control of the few.

As Henry George said "at the bottom of every social problem there is a social wrong." The severe debt and recession problem which is now hitting us will only be righted with recognizing the fundamental issue that land has been accumulated to the extent that economies can no longer operate. We have learnt nothing since ancient antiquity. We have little choice but to restore economic harmony through returning the rightful ownership of the rent of land to all people.



FRAMING GEOISM FOR ENVIRONMENTALISTS

Karl Williams



Pic:flickr/luisamaram

Environmentalists are only just starting to appreciate the necessity for natural resource charges on pesticides, acidifying fertilisers and other polluting petrochemicals in food production.

Finite land & resources and rising population point to an inevitable environmental crisis, with all the associated economic and social costs. The environmental movement has responded with calls for pigovian taxes – that is, taxes levied on market activities that generate negative externalities. These are useful approximations to the natural resource charges that geoists have long advocated, although the all-important issue of the locational value of land has still eluded most environmentalists.

While fresh water, fish stocks, forest resources, and the “dumping grounds” of our oceans and atmosphere appeared virtually infinite in Henry George’s day, his principles that enable each of us to share the Earth equitably are just as relevant. Indeed, they are vital.

Why do philosophy curricula so often deal in abstract issues yet avoid the everyday practical issue of right ownership? That is, what properly belongs to me, the individual, and

what rightly belongs to society? What is the underlying nature of “property”, especially when “property rights” hold an almost religious significance to some?

Geoists cut through the confusion by first rejecting the neoclassical conflation of land and capital into simply capital, always opposed on the other side by the second factor of production, labour. We unequivocally assert that the gifts of Nature, produced by no man, should rightly belong to all equally. Put another way, we all should have equal opportunity to the land and natural resources, and therefore these should be freed up to enable us to apply our labour to them and open up productive work opportunities. It is simply wrong (and economically foolhardy) to own outright natural resources – instead, we should rent them according to their value, with the rental payments

effectively reimbursing society for their exclusion from their birthright. Environmentalists are consequently satisfied that the True Price applied to the use and abuse of natural resources will force users to use them sparingly.

The property rights of capital, however, are inherently quite different. Given that the true cost of natural resources has been paid in any productive endeavour, the product of labour is rightly the sole property of the producer, and the state has no right to confiscate any of it. In other words, taxes are legalised robbery, and only emergency measures (natural cataclysms or threat of war) would ever justify the confiscation that is taxation of labour or capital.

George pointed to the environmental importance of collecting the rent from land, and contemporary geoists have adopted his principles to deal with current concerns, including environmental issues. If governments collected the rent from land then land would be forced to be put to its optimum use, giving rise to a much more compact and resource-efficient cityscape, much more amenable to shorter commutes, walkable communities and the provision of efficient public transport. Valuable agriculture land would be safe from sprawling cities. Urban infrastructure and other

shared resources (broadband networks, rail lines etc.) would be self-funding as the uplift in land values would be collected for the public purse rather than accruing to landowners and making land more unaffordable.

Environmentalists are only just starting to appreciate the necessity for natural resource charges on pesticides, acidifying fertilisers and other polluting petrochemicals in food production. We pay too little for our conventionally-grown food nowadays, which embodies massive and underpriced quantities of water, fuel and eroded soil. If these hidden subsidies were effectively eliminated by the adoption of natural resource charges then organic produce would be far more competitive.

Charges on natural resources reduce the wastage and overall use of such resources and so contain the seeds of eventual fiscal problems for governments, for the revenue from such sources will diminish over time. However, collecting the rent from land does not force land out of use – indeed, just the opposite will apply. In other words, if the gaze of environmentalists were extended to land then governments would have a truly sustainable source of funding for education, social welfare and other needs.



How is it that the Monsantos of this world (the peddlers of destructive broadacre agriculture) have been allowed to frame how we calculate farming efficiency? Farming productivity should be reckoned in terms of efficient use of resources (which would be the case in a geoist system), but the conventional measures calculate efficiency in terms of gross output per farmer, no matter how much wastage of water, oil, soil and the destruction to waterways, atmosphere and water table. Armed with a fully-informed geoist perspective, the rent-seekers who live off the backs of others and the fruits of Nature can be exposed and halted.



Taxation: A System From Hell

David Brooks



Pic: fotopedia/flickr.com

“Taxation as we know it accords with all that is known as theft.”

Taxation as we know it accords with all that is known as theft. It is collected by force, extracted under penalty (I am bigger than you) and used for projects that many object to.** The propaganda is that taxes and death are always with us. Certainly a strange set of precepts. The results of these precepts are even stranger. People, while having strong objections to theft, accept what the government does as “necessary” and generally without further enquiry; but the matter does not end there. Death, on the other hand is not accepted, we spend, in Australia alone, billions of dollars for research and medicines to counteract the effects of aging and in foiling death itself. We have extended the life of humans, in some parts of the Earth, by twenty years or more. So the matter of death is under constant review. But what of taxes? They surely deserve greater attention from the everyday battler!

Taxation is something that is growing and with it grows the power of the State. It takes from the individual what he rightfully believes is his property. After all it is his work that produces the goods! And the individual is the owner of his own body is he not? Why taxation does not receive the attention that medicine has is curious. Perhaps the sensitivity of the hip pocket does surmount all other pain! On the other hand perhaps the original “taxes and death” propaganda has been totally effective. Well, not totally! There are still people around the world who object to taxation on moral and ethical grounds. It is no exaggeration to point out that between five and six months of every year is spent working for the government. You may be saving desperately for your retirement, when the government lets you retire, but you only have six months a year in which to earn your living and save for the future. Not a scenario for a happy ending story!

There are an immense number of “laws”, and a whole government department, the Australian Tax Office (ATO), employing lawyers and accountants dedicated to extracting money from those it can bully and are too weak to defend themselves. Failing threats from the ATO, there are courts and police and prisons to back them up in their extraction of “legal” contributions for their political masters. There is an army of accountants and lawyers employed by industry, commerce and individuals to avoid, evade and simply not pay the taxes imposed upon us. The whole system is the epitome of waste; it is totally inefficient - on both sides, it is full of corruption, and no one person actually understands the “law.” This mess is then ruled upon by pontificating judges as if they were independent arbiters, which they cannot be because their appointments and wages rely on the collection of taxes. The laws on taxes would make an A4 stack of paper over two metres high. You can’t remember the first page and its plot when you’ve read the first 2 feet of the book. The newspapers cover hundreds, if not thousands, of cases every year of people and companies appearing before the courts for tax evasion and frauds. Effectively they are being prosecuted for trying to keep what they have legitimately earned. Even the GST can be evaded, especially when it comes to commercial property deals. And the “laws” are deliberately soft so that the loopholes exist. How else would an honest lawyer make a living?

Taxes are a huge burden, not only in that they make us spend more time working than is necessary for producing our living, but in the distortions those burdens cause to our society. Those distortions are

so obvious in our everyday activities. Government intrusions into our affairs, policing, as though everyone was a criminal, legislation passed on almost every aspect of our lives which effectively treat people as cretins. The government line is that as “civilised” people we need this control for the “bad” and “disruptive” elements of our society; never recognising that “bad” and “disruptive” has its causes in the burdens imposed upon us by government. Much more: our tax system is the greatest cause of unemployment and poverty. There is no escaping that the taxation system is the biggest government influence on economic wealth and its distribution; the Global Financial Crisis is a direct result of bad taxation. (The words used are “poor fiscal policy”). When things are wrongly set up it takes an enormous effort to maintain them. All people, from the most illiterate to the most educated and wealthy, know that the system is wrought with stupidity, corruption and inequality.

This is a system that urgently requires change. It is a system that is killing not only people but also our society. Look around! The foolishness in politics, the violence on the streets, the unemployment, the poor and the lack of housing, the high cost of housing, are all directly attributable to the taxation system we have. It is a system that could have could only have been invented in hell.

How the tax “system” came about.

The tax system is not modern. It has its beginnings around the 12th century and even earlier. An early landowner, an Earl, Duke, Knight or such had to pay tribute (taxes) to the government that is - the King. There were many requirements upon those who “owned” the land. But suffice to know that there were no taxes as we know them today. When tax was collected the collectors had to go out and physically collect the taxes. If you were assessed at 2 chooks, that is what



you surrendered to the collector; an assessment of half a pig was annoying - your half was also dead. Similar to our taxes yes, but collected only by the most spendthrift or tyrannical of governments, like King John.

However, one king was more than extravagant. Henry the Eighth sold everything he could lay his hands upon. He sold so much that, as never before, an army of dispossessed, landless poor appeared. Landowners were always trying to shuck the burden of taxes and they were complicit in Henrys’ misdeeds. In the years between the death of Henry and his daughter Elizabeth coming to the throne the treatment of the dispossessed was horrifying. Note the word “dispossessed.” These were people who had been pushed from their landholdings (few were owners) by greedy landowners. (In Scotland the landowners drove the people from the land because sheep were more profitable.) Similar things happened all over England, indeed, all over Europe.

The results of landowner resistance were governments (initially kings and queens) seeking funds from sources other than the landowners. (This had already taken place many times without great success.) This may sound OK but the “alternate” sources were people who depended upon the Land Lord for a lease of land for which they already paid a substantial

fee. What the government collected directly from them they were unable to pay to the Lord of the Land and many were pushed away (dispossessed) to the cities. No one asked where the government was going to get the forfeited monies!

The “Poor laws” were introduced by Elizabeth the 1st (or at least her ministers). This was the beginning of what we now call rates (local government tax), and was primarily a tax placed on the wealthy, according to their wealth, for the aid of the poor. Remember that the poor exist because they were forced from the land by the wealthy. There were still dues paid by landowners but these were gradually “sold” by cash strapped government for lump sums. This added to the land enclosures that were already taking place. When people were driven off of the land they congregated in “cities.” It is happening even today with all the troubles that overcrowding causes.

That is all history. There are hundreds of books and records telling the events and this has only skipped across them. These events occurred across Europe. What do we do about this horrendous system and how do we produce a system that accords with justice: that alleviates poverty, that stops stupid boom and bust cycles, that allows everyone to retain what they earn and only contribute to the state as the state contributes to them! As a

society we are a long way from even thinking about even the simplest forms of justice let alone in the tax field.

Where are you looking?

It is evident that government seeks to raise its revenue from the source that will create the least hassle. That is the poorer section of the community. Many governments proclaim good intentions toward the less well off, but when push comes to shove it is those with the money who call the tune. Governments bucking this trend have been somewhat absent since the 1970's. Those before this time did little which improved the lot of the ordinary citizen. The further you go back the more you will find governments taking the easier courses to raise revenue, inventing such things as tariffs, sales tax, duty, bonds, licences etc. This is a pity because there is a system of government revenue which is fair to all. After 500 years, it is still opposed by those who hold land. Even worse! Those who own their own homes now consider themselves landowners. Companies have become owners of huge amounts of land, and have largely replaced the Kings, Lords, Dukes Barons and Maharajahs. And companies are to be more feared than any Landlord, for companies have no conscience.

Many people recognise that we have problems within our society that seem only to get worse as we try harder to solve them. In the medical fields there are amazing discoveries every day. In the computer world the same applies. To produce what we want, clothing, food, bricks and mortar, becomes easier each passing year. But the violence on our streets also becomes worse. Our military are engaged in wars not of our making but the making of trusted friends. That makes more problems with new friends. There have been men on the moon, but not for over 30 years.

In our country everyone, male and female, over 18 years of age is entitled to vote and to stand for public

office. Few do, partly because politicians hate competition and make it difficult. We have restrictions on free speech which tear at the foundations of our freedom. The contrasts, the so called freedom and the domination of the state present, like our tax system, a scene from hell. Telling right from wrong has never been more complex.

Is there any justice?

Government can manipulate to the 'nth degree the economy, they certainly have the legislative authority, but who do they manipulate it for? That they have exercised partisan control is evident from what happened with the Global Finance Crisis, the events of recent weeks in the USA, and the continuing series of crises across Europe, and there is more to come. Change must come from the people themselves; pleading ignorance, not having an "interest" in politics or putting the matter in the too hard basket are all recipes for the continuation of the present corrupt system.

The path out of this horrifying system is relatively easy. We have to recognise first that the Earth is unique. [If it is not we currently have no knowledge of a companion.] Second, that owning a chunk of a planet is to deny all others the use of that chunk. Third, that what a man produces is his property; no third party has any rights to it. Being intelligent people most of us will recognise these factors. There is nothing new about them; they have been talked about from time immemorial and many philosophers have preached their value.

The Earth is the source of all wealth. To get that wealth requires human labour. These two elements equal productivity. For some to claim that the land and all therein is theirs is patently wrong. The value that attaches to land from the activities of people acting as a community rightfully belongs to that community, not to individuals. Land value is the one thing an individual cannot make. It

takes the cooperation of many people to bring about even the smallest of land values. Millions of people create much land value.

The change we need is to collect this land value, as rent. To replace the atrocious system and myriad of taxes we currently have with this single source of revenue. As the value is created by the community it rightfully belongs to the community. No theft is involved. This one change removes from government the stigma of thievery. An example all people can follow.

There are many false arguments influenced by the stimulus of the hip pocket nerve. But we are no longer in (if ever we were) the position to ignore basic economic justice. For if we continue to ignore what is most basic, then the situation that exists under the tax system from hell can only continue and only deteriorate.

There is a light at the end of the tunnel; it is not the tax collector; it is the flame in the hand of justice.

We should pursue it!

**The term "taxation is theft" is very old, dating back some 400 plus years. There is an extensive analysis of the term in Murray Rothbards' "The Ethics of Liberty" [ch24] and Frank Chodorov's "Out of Step: Autobiography of an Individualist". See also Leo Tolstoi.

"The Encyclopaedia Britannica defines taxation as "that part of the revenues of a state which is obtained by the compulsory dues and charges upon its subjects."



Broadening the Movement: A Blueprint for Achieving Social Justice through Sharing Common Heritage

Clifford Cobb



Photo: tinypic.com

Introduction

The world faces a series of worsening crises, climate instability, rising energy costs, economic apartheid, and erosion of democratic institutions. What is required is not a set of technical instruments that try to resolve these, one at a time. We need a new social philosophy that addresses all these crises simultaneously.

Alfred Andersen promoted such a philosophy. He based it on a long line of thinkers who affirmed the principle of sharing the value of natural assets (such as land, air, water, and minerals). Andersen added the idea that the value of inherited social assets, particularly technical knowledge, should also be shared. Despite the strong pedigree of his philosophy, Andersen's proposed universal sharing of those "common heritage" assets has not been widely embraced. On the contrary, a philosophy promoting increased privatization of the earth has grown in recent decades.

The advocates of sharing common

assets need a new strategy that will have broad appeal to counter the trend toward privatization. Fighting poverty by dividing the earth's bounty equally among all people must remain the guiding principle of any campaign for justice, but it is necessary in the short run to focus on social issues that are already have large constituencies. If the common heritage philosophy can provide new insights on popular social issues, it should then be possible to build a new base of political support for the economic aspects of Andersen's philosophy. This essay proposes a strategy to create a political base of support for economic justice by starting with popular social issues.

The basic principles that guide the philosophy of sharing common heritage assets need explanation first, and since those principles evolved from historical discussions, we begin with a brief sketch of that history.

Historical Background

A little over three centuries ago, at the end of the wars of religion in Europe, there was a need for new principles of political order. Economies were being transformed from feudalism, a system based on hierarchies of personal loyalty, to capitalism, a system based on impersonal exchange. New rules were needed to define the role of private property and corresponding social duties. The principles required had to transcend the conflicts between Catholics and Protestants by defining rights and responsibilities in terms of nature rather than religion.

Starting with Hugo Grotius and his work on the law of the sea, through Samuel Pufendorf, John Selden, Thomas Hobbes, Richard Cumberland, James Tyrrell, and John Locke, commentators of that era grappled with a fundamental problem—the justification of private rights to land and other natural goods previously held for common use by members of a community. This

had no simple resolution. How was it possible for a single individual to own something that God had given to all people in common?

This question arose in the 17th century in the context of specific disputes. Grotius sought to resolve an argument between the Portuguese and the Dutch over whether it was possible for one nation to have exclusive “ownership” of the Indian Ocean. Hobbes wrote *Leviathan* in search of some universal principle of order in the midst of the English Civil War. Locke’s *Second Treatise* was an argument with Robert Filmer over the rights of royalty arbitrarily to confiscate private property. The disputes were over concrete issues and conflicting interests, not merely mental exercises.

All 17th century authors took it for granted that God had given the earth to all people in common, not just to those who had claimed title to a part of it. Starting with that premise, the difficulty lay in justifying private ownership of nature. They saw that private property in land or ocean or other gifts of nature was an obvious usurpation of the rights of the rest of humanity. Private ownership was deemed a necessary evil to achieve more productive use of nature, but it was clearly an evil, never an institution that was good in itself.

In the past three centuries, a number of writers developed the idea of common ownership of nature and balanced it with advocacy of private ownership of humanly created goods.

Thomas Paine and Thomas Spence were among the strongest defenders of this balanced view in the 18th century. Each had a distinctive method of achieving the same end, but all agreed on the need to balance private ownership of goods produced through human effort with public sharing of the fruits of nature. Alfred Russel Wallace and Henry George were two of the staunchest advocates of making land common property in the 19th century.

In the 21st century, all of that has changed. Among intellectuals, nature is now regarded as “socially constructed.” Creatures have become their

own creators. Arrogance has replaced reverence and humility, because there is no reality greater than oneself. Even the concept of “society” has lost its legitimacy, in part because anything that transcends individuality seems suspiciously theological. Private property has been absolutized as an ethical principle, and one now has to make a considerable effort to defend any claims of common ownership or sovereignty. Life itself has become a new form of property through the process of patenting gene sequences. Nietzsche’s 19th century proclamation that “God is dead” has had tremendous social and political implications, and they have been suffocating, not liberating.

“Life itself has become a new form of property through the process of patenting gene sequences.”

Reversing the Tide

The erosion of support for common ownership of natural and social assets was not inevitable, and it can be reversed. To do so, we must first recognize a fundamental mistake that has been made by many progressives who favor the social proprietorship of the commons: they have lumped all forms of property together. They conflate the communal principle of sharing the gifts of nature with the idea of sharing the wealth created by labor. In this manner, some advocates of sharing the earth have undermined their own credibility and allowed the supporters of privatization to claim the moral high ground in public debate.

A clear distinction must be made between universal rights in nature and legitimate property rights in created products. This is not merely an abstract philosophical issue. It has numerous concrete implications in our daily lives. Above all, it means shifting taxes

off labor and onto the ownership of property, particularly those forms of property that derive their value from nature.

The Intellectual Legacy of Alfred F. Andersen

During his lifetime, Alfred F. Andersen promoted a vision of sharing the value of natural resources among all people, first within nations, and ultimately on a global basis. The Tom Paine Institute, established by Andersen, advocated the ideas first developed in Thomas Paine’s 1797 treatise *Agrarian Justice*, which proposed leasing land and other resources at market value and distributing the revenue among all residents. Extending the original proposal, the Tom Paine Institute recommended taxing the excess profits of high-tech firms and distributing those revenues in the same manner. The logic behind this technology tax was to capture for the public the value of intellectual property that is inherited from past generations. Andersen regarded this as another aspect of common heritage that should benefit the entire population and not merely a small number of individuals. (I would recommend a slightly different alternative: an excess profits tax on firms that make substantial use of intellectual property. That would collect the economic surplus for public use and avoid the unnecessary destruction of marginal firms in this category.)

Like other recent authors, Andersen proposed that all natural resources should be treated as common heritage. Thus, he endorsed ideas such as the Sky Trust concept developed by Peter Barnes in his book *Who Owns the Sky?*, which presented a way to collect a fee from those whose carbon or methane



emissions would modify the global climate.[1] The same principle would apply to fees collected from those who add pollutants to air and water, to congestion charges on highways, and even parking fees. Such charges represent the use of prices to allocate the scarce resources of nature. The proceeds would be transferred to the entire population.

The idea of charging a fee for the use of nature and sharing the revenue equally might seem like a proposal that would not be threatening to powerful interests, but it is. The wealthy at present take a disproportionate share of the common stock of resources, both renewable and non-renewable, and they aim to keep it that way. The staff at Redefining Progress learned first hand just how controversial such a proposal can be. In late 1994, the Irvine Foundation commissioned us to conduct a study of “green taxes” to determine if they could finance the operations of state and local government in California.[2] The 200-page preliminary report submitted to Irvine demonstrated that green taxes were more than sufficient for the purpose. Soon after submission, we were told that there would be no follow-on grant to produce a final report and distribute it. Apparently, some elements of the report struck a nerve, particularly the chapter that recommended the public collection of fees on land values. If implemented, those fees would have transferred to the public a significant portion of the assets of many wealthy people and corporations, including the Irvine Company, which has some of the largest land-holdings in Orange County, California. Those are the assets that presumably finance the Irvine Foundation’s capacity to make grants.[3]

In contrast to Redefining Progress, which shaped its message to suit its donors, the Tom Paine Institute spoke openly about the social benefits of sharing the value of common heritage assets. Whereas the focus on most discussions of “green taxes” has been on the environmental benefits, the use of the revenues has been treated as a side issue. For Tom Paine and his

eponymous organization, the principal reason for sharing the value of resources was to alleviate poverty. Andersen estimated that in 1997 the revenue from common heritage assets in the United States would yield around \$9,000 per person (or around \$16,000 in 2010).

[4] Distributing that amount of money to every person in the U.S. would not make anyone rich, but it would go a long way toward keeping families out of dire poverty. For example, it would make homeownership and higher education accessible to millions of people for whom those stepping stones to middle-class life are now beyond reach.

But that vision of sharing the value of natural resources has not been able to shape modern political thought. Even though there are trillions of dollars in common heritage assets that could, in principle, be collected by a trust agency and distributed to the entire population,[5] that plan is unlikely to gain political acceptance on its own terms. Although the logic is entirely sensible and valid, it fails the most basic political test: after many decades, it has persuaded only a small number of Americans. The rest hear it as utopian dreaming and idle speculation only distantly related to their daily lives—or as a threat to their private wealth. Few Americans will give serious consideration to the redistribution of natural or inherited assets until that issue has been incorporated into a strategy based on a more encompassing vision of common heritage assets. We need a radically new strategy to challenge the now deeply engrained notion that nature can be privatized and owned by individuals without any reciprocal obligations to the community.

A New Strategy to Share Common Heritage Assets

The implementation of Andersen’s concept of universal sharing of common heritage assets can thus be realized only by going beyond the terms of his vision. (The same proviso applies to other groups advocating carbon taxes, pollution fees, or taxes on land values.)

What is needed is a strategy for

“The wealthy at present take a disproportionate share of the common stock of resources.”

gaining acceptance of these principles, one that is not based solely on what people “ought” to want. To build an effective political movement to protect common assets from further encroachment and privatization, it will be necessary to find the issues that most resonate with people today. The public will have to be roused from complacency in order to challenge further privatization. To do that, those who believe in sharing our common inheritance must begin with existing efforts and build on them, rather than trying to start from nothing.

To form a broader political constituency for sharing common heritage rights, we must first consider the many forms in which common assets appear. The commons consists of: 1) the “natural resource commons,” which interests the followers of Tom Paine and Henry George, who were concerned about economic equity, 2) the genetic commons, which interests medical researchers, indigenous peoples, and anyone concerned about the future health of the population, 3) the environmental commons, which interests those who care about the health of nature, 4) the information commons, which interests those who are concerned about the value of knowledge in the digital economy, and 5) the social commons, which deals with health care, immigration, abortion, education, human rights, and many other issues that have thus far been ignored by advocates of common heritage rights.

Which of the many forms of common heritage assets provides the best vehicle for gaining popular acceptance for sharing the wealth derived from them? The answer, I believe, is obvious: the issues closest to people’s hearts. No single category of common assets will

appeal to everyone, but if a coalition could be built that contained all of the above elements, it could transform politics. However, a stable coalition cannot be constructed around fragmented elements. An underlying philosophy must bind the elements together, and it must be a philosophy rooted in experience.

Reframing Common Heritage Assets

Common Heritage in Sacred Objects and Sites

The best place to go to begin formulating a philosophy of common life is to seek cultures where that worldview is already taken for granted. In most indigenous communities in the world, common heritage assets are not simply objects with utility—they are religious symbols. In Bolivia, a protest occurred in Cochabamba because a company had privatized the water through an agreement signed by the government. But the ensuing popular uprising in 2000 could not have been sustained if water were understood merely as a necessary and useful object. The privatization of water was a violation of Pachamama—the goddess who provides for people's needs. This suggests that privatization of nature will only be fiercely resisted if it can be framed in terms that transcend mere utility. People will risk their lives for sacred symbols long before they will protect mere economic interests. Unfortunately, there are few cultures in the world in which nature retains that sacred quality.

In the desacralized cultures that have embraced modern values (which is now a world culture), it is difficult to mobilize action on behalf of our common heritage precisely because nothing is sacred. Ironically, what comes closest to being sacred in modern societies are individual rights, private property, and personal freedom. As we will see below, there are other values so widely held in our culture that they come close to the level of being sacred. Whether or not they achieve that status, they may point towards a new way of

presenting common heritage rights to the American public.

“Ironically, what comes closest to being sacred in modern societies are individual rights, private property, and personal freedom.”

Self-ownership as an Element of Common Heritage

One way to reassert a public claim on common heritage rights follows a strategy of paradox: using one category of private property to question other forms of it. Let us consider how this might work.

Probably the first form of private property in history (and pre-history) was the treatment of women as chattel. One of the perennial arguments for that status was the idea that women were somehow “closer” to nature than men are and needed to be managed. The ownership of women represented the power to control a group of people who were considered a threat to culture and social order. (Essentially the same argument was used to justify slavery.) In the 20th century, however, the sacral-ity of property was turned against the subjugation of women and minorities. For women, the clearest reversal came about through the assertion of a reflexive property right: a woman's ownership of her own body and the right to control it. The fact that this still remains controversial forty years after the Supreme Court recognized that right in *Roe v. Wade* is testament to the abiding anxieties about women and nature in our society.[6]

Feminist claims to self-ownership are not based simply on classical liberalism. Instead, they are based on

a critique of the distinction between culture and nature. (This parallels the traditional distinction regarding common rights between legitimate rights in humanly made property and invalid claims to private ownership of nature.) To escape from the bondage of being someone's property, feminists have refused to accept the idea that men actively create culture, whereas women organically belong to nature. By denying that nature is somehow “feminine,” the critics of the nature-culture dichotomy have also cast serious doubts about the capacity of any culture to control nature, because nature is both within and outside ourselves. Although this analysis does not lead in any simple way to the principle of sharing assets derived from nature, it validates the idea that nature constantly ruptures humanly constructed boundaries and defies efforts to divide it into self-contained parcels. Nature is full of spillover effects that make a mockery of private ownership.

Feminists have emphasized the nature that lies within each person, more as an energizing source than as a limiting force. This gives the body a sacred quality. The body represents a boundary that must not be crossed, except by permission. Symbolically, we each participate in a common heritage through our biological condition, and we are each allowed to take from that common domain only what belongs to us—our own bodies.

This effort to tie personal control over one's body to what one might call a “corporeal commons” is best understood from the perspective of *Trauma and Recovery*, a groundbreaking book by Judith Lewis Herman.[7] In it, she demonstrates that the assertion of a right to bodily integrity by survivors of incest, rape, and post-traumatic stress



disorder has been based on political solidarity. It is as if a “body politic” had to take shape before the rights of individual bodies could be protected.

Any form of human solidarity must ultimately depend not only on interests, but also on transcendent symbols. Although violations of women’s and children’s bodies happen one at a time, there is also a sense in which the violations extend beyond the person. At least some feminists have implicitly defined those violations as an assault on the sacred, which is why the claims of women’s rights are powerful and, at the same time, threatening to those who would keep women in a state of submission.



Health as a Common Heritage

Another expression of how we individually derive benefits from a common pool greater than ourselves is the health that we experience as members of a population. Although we are constantly reminded that we are each personally responsible for our health, that individualistic understanding ignores various collective dimensions. In fact, our language is so oriented toward individualism that it is difficult to find the words to describe the ways in which health is an aspect of our common heritage. Nevertheless, it is important to try, because there is a sense in which health is considered sacred to many members of society. (The word “health” derives from the same root as “holy.”) Thus, the issue of health could be an effective way to introduce common heritage principles to millions of people who might otherwise never think about those ideas.

There are three ways in which the social dimension of health is manifest.

First, our private health is socially linked through the distribution of income. Everyone, rich and poor alike, is healthier in communities, regions, or nations where income is evenly distributed than in locations with wide income gaps. It is possible to measure and predict the physical health of an entire society based on a purely relational factor (the gap between high and low incomes), independent of spending on medical care. This finding was disconcerting to positivist social scientists, who equate “science” with material causation. So, the correlation was retested several times in different contexts by epidemiologists during the 1990s, and reported in *Lancet*, the *British Medical Journal*, *Milbank Quarterly*, the *New England Journal of Medicine*, and other scientific publications. [8] The results consistently showed that population health status was positively related to equality of income.

A second way in which health is a social phenomenon that has characteristics of a common heritage asset is that disease resistance and prevention are collective goods.

Helping one person avoid infection with a communicable disease protects not only that person, but everyone else. Globalization has now made the world population a common repository of infectious diseases. That means protecting Americans from those diseases requires protecting people in Zambia and India and Paraguay. In this way, population health is a common pool resource or common heritage asset. But the required action is a mirror image of most common heritage assets. Rather than sharing the value received from a common resource, we should all share in spending to prevent a universal harm.

A third way of thinking about health from the perspective of common heritage is in terms of a rationale for public subsidy of insurance (as in Canada) or medical care (as in England).

Public financing of medical insurance or services is often based on the

assertion that health care is a “human right,” but the basis for that claim is mere assertion. A common heritage perspective can provide a coherent basis for the argument. Imagine for a moment a genetic commons that belongs to all humans equally. At birth, some people receive a large natural endowment from that commons (high immunity, high life expectancy), while other people receive a low natural endowment (low immunity, low life expectancy). Since those outcomes are a matter of luck, not effort, we should be willing to pool our resources to equalize health outcomes by providing medical care according to need, not ability to pay. Those who received little in the way of an initial endowment would be compensated in part by participating in a system in which costs are shared by all.

In each of these three cases (health and income distribution, public health, and health care coverage), common ownership is abstract and intangible. Nevertheless, health has a sacred quality for many people, which means that equal provisioning of health is a salient issue for far more people than the concept of sharing the value of natural resources.

Thus, health presents an opportunity to introduce the principles of common heritage to a new and larger audience than it has reached until now.



Pic: wikispaces.com

There is one element that is sacred in every society.

Children as a Common Heritage

There is one element that is sacred in every society. That element may be referred to as “our children,” “the next generation,” or simply as “the future.” But the meaning is the same: people care deeply about the continuity of their culture and their families. In *Environmental Values in American Culture*, Willett Kempton et al. explored competing ideologies regarding the environment by interviewing people with different affiliations.[9]

They expected to find that strident environmentalists (EarthFirst! activists) and staunch anti-environmentalists (loggers and dry-cleaners) would disagree sharply on values. To the surprise of the researchers, they discovered that people across the ideological spectrum held values in common—especially the need to pass the world on to the next generation in better shape than we found it. Of course, there was sharp disagreement about environmental facts and the methods of improving the world, but the stated values were almost precisely the same.

Yet, even at the level of values, there is a snag in looking to children as a way of talking about what we share. When we cease to talk purely in abstractions and consider actual children, they shift from being a common heritage to private property, owned and controlled by their parents. For example, when most people insist that they support public schools, what they often mean is that they are willing to pay taxes to support the schools their own children or grandchildren attend. Revenue sharing among school districts has diminished support for public education, because rich local districts can no longer serve as private enclaves, since they must share their wealth with other districts.[10]

It seems that most people are concerned only with the future of their own children, not with the next generation as a whole. If so, then the idea of children, either as a common heritage or as the recipients of common heritage assets, currently has only ambiguous value

“It seems that most people are concerned only with the future of their own children, not with the next generation as a whole.”

as a rhetorical device. Nevertheless, it is possible that this situation could be reversed. Since children so frequently symbolize the future of society, we should not give up efforts to sustain the idea that we have a stake in the lives of all children, not just our own.

Other Social Dimensions of Common Heritage

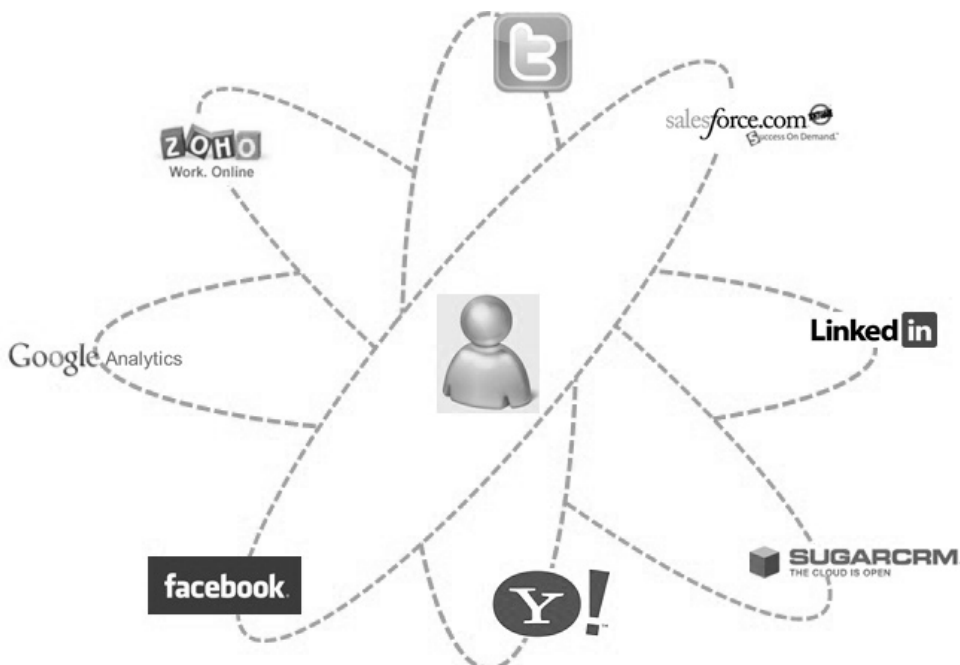
There are many other social issues that can be defined as matters of common heritage.

Social order is a spontaneous condition that arises from ordinary relationships and mutual obligations, not from the police or other agencies of government. Finding the policies that sustain that spontaneous order would offer a specific means of countering the “law and order” mentality that has caused a dramatic growth in imprisonment over the past two decades. Communities that recognize their own capacity to create social institutions that reduce anti-social behavior and prevent crime could save money and preserve social harmony.

Social capital and social trust are phenomena that arise out of networks

of people, not from the efforts of individuals.[11] They enhance both economic productivity and the potential for solving collective problems. At present, public policy fails to promote those networks, partially out of fear that they will compete with the state for loyalty. The suspicion of social capital arises especially in connection with schools and other institutions that are based on ethnic or linguistic identity.[12] If social diversity were recognized as part of the common heritage that makes our society strong, it could be encouraged rather than stamped out.

The legitimacy of government is an abstract value that enables political leaders to respond effectively to crises without making an endless array of deals and trades that undercut the effectiveness of any action. Legitimacy derives from social interaction, not created by individuals. In the absence of legitimacy, legislatures have increasing difficulty acting on behalf of the common good. Instead, they merely mediate among competing private interests. The result is growing cynicism, which fuels the downward spiral toward despotism.



Collective defense against violence (either as invasion from outside or as internal insurrection) requires a specialized form of social order. Gene Sharp's writings on nonmilitary defense demonstrate how this strategy of common security requires a new understanding of society, not merely techniques of resistance.[13] A society can only be organized in support of nonmilitary defense if institutions are perceived as just, including a fair sharing of common heritage assets, because this form of defense relies on social solidarity, not the power of weapons.

The advocates of more lenient immigration laws tacitly acknowledge some aspects of the concept of common heritage (the denial that any group has an inherent right to certain territory). There is thus a natural affinity between the concept of common heritage assets and more open borders between nations. In effect, the immigration debate today in Europe and the U.S. is the consequence of colonialism. The poverty and cultural displacement in the global South that was caused by privatizing their common heritage assets and exporting their natural resources to the global North now gives rise to waves of immigrants. This condition will be resolved only by a reversal of the colonial process at home and abroad.

These examples of how social relationships exhibit qualities of common assets indicate the range of topics that can be brought under the same general rubric. No particular issue will be the one that will carry the day. What is important is to recognize that the philosophy of common assets, combined with common responsibilities, could unite a wide range of seemingly disparate issues. We must apply ourselves to the task of seeing those connections.



Pic: Alfred Andersen

Building a Coalition to Share Common Heritage Assets

To become a large-scale movement that can reverse the trend toward privatization, a large segment of the population will need to articulate their concerns in terms of a comprehensive philosophy. For that reason, the common heritage principles must be broadened to explain as many different domains of policy as possible.

Success in creating a movement in support of sharing common heritage assets depends on coordinating the activities of numerous groups already acting independently. This does not mean management from above. It means devising a language and frameworks that can be agreed to.

There is already a loosely affiliated movement that is dedicated to the idea of the commons as a resource for everyone. Some of the organizations or networks that have defined themselves as advocates of common use or ownership are:

On the Commons (<http://onthe-commons.org>) explores the commons as it applies to a diversity of topics: community life, culture, economy, politics, food, the internet, science, health, and water.

Creative Commons (<http://creativecommons.org/>) devoted to sharing creative works through new types of licensing agreements.

Science Commons (<http://sciencecommons.org/>--a project of Creative Commons), devoted to sharing of scientific research that might be otherwise held out of use.

Civic Commons (<http://civiccommons.org/>), which aims to make government information from diverse jurisdictions and levels more easily accessible and in user-friendly formats.

Global Commons Trust (global-commonstrust.org) is working on behalf of the UN.

Commission on Global Commons to promote the idea of the commons among NGOs on a worldwide basis.

Heinrich Böll Stiftung, "the Green Political Foundation," ([http://www.](http://www.boell.de/economysocial/economy/economy-commons-report-10489.html)

[boell.de/economysocial/economy/economy-commons-report-10489.html](http://www.boell.de/economysocial/economy/economy-commons-report-10489.html)) incorporates the concept of "the commons" as part of its efforts to promote a green political agenda.

The International Association for the Study of the Commons or IASC was founded in 1989 by Elinor Ostrom and other scholars as the International Association for the Study of Common Property (IASCP). It promotes the study of how institutions can more effectively manage commonly owned resources.

It is significant that most of the organizations that explicitly use the language of "the commons" focus primarily on sharing the digital commons or other forms of information.

That is important, of course, because it represents the cutting edge of privatization efforts, but it involves only one strand of common assets.

One might add to this list the many conservation organizations that seek to protect ecosystems against human encroachment. They have also made use of the concept of the commons, primarily in the form of the "public trust" doctrine.

In all of these groups, however, there is a glaring absence of concern for the relationship between poverty and common assets. That is true today of the movements to protect the digital commons and it was historically true of the conservation movement, which had its roots in aristocratic preservation of nature. This is even true of the IASC, which emphasizes natural resource issues. Ostrom and her colleagues have mostly focused on very small-scale commons (such as local fisheries or irrigation systems), which exclude outsiders and thus do nothing to avert poverty in society at large. In general, the inattention to equity issues creates the impression that the commons movement is elitist, a charge that has also been leveled at the conservation movement.

For that reason, the commons movement and the traditional conservation movement need to ally themselves with the common heritage

movement, which emphasizes economic equity. Building a coalition on behalf of the commons that embraces equity entails more than lip service to this value. It requires making a concerted effort to understand the equity implications of all activities related to common assets and qualities. It is not enough for the policies advocated in support of the commons to be neutral with respect to poverty. The commons movement must be publicly perceived as pro-poor in its overall outlook.

But tying together the existing strands of the commons movement (common heritage, information commons, and conservation of nature) is not enough. The much bigger challenge is finding ways to bridge the gap with mass movements for social justice in health care, immigration reform, education, and nonviolent defense, among others. The activists on those issues have not typically thought of their work as having any connection to the digital commons or natural resource endowments. They will see it to their advantage to make those connections only if a common, inclusive language treats their concerns as central, not peripheral.

Many activists will undoubtedly dismiss the need for a common language. As Jay Walljasper says in "All That We Share": "It's not necessary that everyone adopt the word commons. What matters is that people understand that what we share together (and how we share it) is as important as what we possess individually." [14] But what Walljasper fails to recognize is that the shared understanding that he hopes to achieve will come about only when there is shared language. At the moment, the language we have available gives us only dry, rationalistic images, competing interests, and fragmented political thinking.

Creating a new language of shared connections will almost certainly mean dropping the heavy reliance on the unwieldy metaphor of "the commons." [15] (In that respect, I agree with Walljasper.) The most effective language for discussing the organic relatedness among humans and nature

derives from religious and spiritual traditions. Unfortunately, there are few symbols of solidarity or commonality that transcend particular traditions. Our best hope may lie in inter-religious dialogue. The process of seeking a common language to talk about our shared heritage and values has become even more complex than it was in the 17th century, when theorists first articulated the concept of "natural rights" as a starting point for analyzing common assets. That language served a purpose for approximately two centuries, but now a new effort is needed to form a nonsectarian political language that can unite progressive forces in fighting for the equitable sharing of both natural and social assets.

"Never in human history has there been a greater need for a philosophy of equitably sharing the gifts of nature."

Conclusion

Never in human history has there been a greater need for a philosophy of equitably sharing the gifts of nature. Following the precepts of that philosophy would make it possible to end poverty, prevent much environmental damage, and reduce the political corruption that arises from allowing the value of natural resources to be privatized.

Yet, despite the efforts of Alfred Andersen and other like-minded advocates, such a philosophy has been unsuccessful in gaining a large following. Even Green Parties around the world have been slow to adopt it. We can speculate about the reasons, but there is little to be gained from doing so. Instead, those who hope to enact policies to share the common heritage of humanity will need to change course. To attract a large following, we must work together with those who profess a



The Gifts of Nature

concern for "the commons" as well as those who actively pursue social issues without making any reference to common assets or rights in common.

The key to reaching a new audience is to find issues that already attract attention and emotional energy—issues such as health care, national security, and immigration. The next step is to find ways to frame those issues in new ways, using concepts drawn from the principles of common heritage assets, but using language that is applicable to social issues. A simple transposition of language previously applied to natural resources is unlikely to be successful. What is most likely to work is language that appeals to a sense of the sacred, since our connection to the earth and to others is in fact the experience in which most people find some sacred elements.

It will not be easy to build a coalition of groups with overlapping concepts of the commons with groups that do not currently use that category. But it is necessary. In the short run, single-issue politics may be successful, but in the long run, a political agenda needs to be based on a coherent philosophy. A movement to reclaim our common heritage will not overcome the trend toward privatization until it can energize groups across a spectrum of issues by showing how they are interconnected. That is the challenge we face.

Due to space considerations, references from this article are not listed. If you would like the full text, please email the editor:

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CGO North American Conference The Henry George Theorem at Work

Dan Sullivan

Every year, the Council of Georgist Organizations (CGO) holds its North American Conference in a different US or Canadian city. This year's conference was held during the first week in August, in Minneapolis, Minnesota, and was co-sponsored by the University of Minnesota's Hubert Humphrey Institute (HHI). A few words about the institute's namesake are in order.

Hubert Humphrey, a graduate of that university, was one of three progressives who, in 1948, caused the Democratic Party to alienate Southern democrats by enacting a platform with a strong minority plank on civil rights for racial minorities. That same year he was elected to be Minnesota's first Democratic Senator since before the Civil War. His ebullient style and his eagerness to take on controversial issues made him a prominent party leader and earned him the nickname, "The Happy Warrior."

His great misfortune was to have been Vice-President under Lyndon Johnson during the increasingly unpopular Viet Nam War, and to have been nominated for President in Chicago while police outside rioted against anti-war protesters.

Several attendees of this year's CGO conference said it was the best in years. While prior conferences were of a high quality, there has been a sameness to them; Rich Nymoen and HHI brought us quality outside speakers who were generally supportive of the Georgist point of view, and infused the conference with perspectives we had not entertained.

It also helped that many panels had a mix of new faces and Georgist regulars. Usually outside speakers get lower ratings on our surveys, but ratings of HHI speakers were among the highest.

"Best Conference in Years"

The first day kicked off with the conference theme, "The Henry George Theorem at Work." The "HGF" had been conceived in 1977 by professor Joseph Stiglitz of Columbia University in New York City. Basically, the theorem states that, in a best-case scenario, various inputs into a city would continue as long as these inputs increased aggregate land values. These inputs include government spending programs, population growth, and new businesses. As modern economists are carefully amoral, Stiglitz ignored the obvious conclusion that a land value tax should pay for inputs that involve government spending. Of course, this conference did not ignore that conclusion.

Nothing increases land values so dramatically and directly as transportation and infrastructure, and seven presenters, including three from the Humphrey Institute, focused on transit oriented development. China is funding urban infrastructure using land transfer fees (oh, well). Dave Wetzel explained central London's congestion charge, which tries to approximate a land value tax on street occupancy.

I showed how subsidizing professional sports stadiums was a gross violation of the Henry George Theorem, as stadiums actually *lower* surrounding land values. Joe Bast, director of the conservative Heartland Institute, went further to argue that the local fans should own professional sports franchises, much as fans in Green Bay, Wisconsin own the Green Bay Packers. Fan ownership prevents teams from blackmailing fans by threatening to move to another city if they don't get new stadiums.

He noted that the National Football League does not allow the spread of fan ownership.

Besides Wetzel, two other Brits made fine presentations. Tony Vickers had accidentally been left off the program, but took the slot of an absent presenter to speak on the campaign to bring land value tax to Britain. In a separate presentation, Fred Harrison got rave reviews for his "The Broken Society," followed by a round-table discussion on the best direction for the Georgist movement.

Frank de Jong, former head of the Ontario Green Party and frequent candidate for office, spoke on circulating alternative budgets. De Jong really shone as the banquet speaker, making the case for running for office on a Georgist platform. He was personable, entertaining, uplifting and inspiring. I wanted to move to Toronto so I could vote for him.

The only disappointment was our tour of the J.J. Hill mansion. J. J. Hill was one of the great railroad barons of the gilded age, and would have been an excellent backdrop for the Georgist case against privately owned railroads. However, while our tour guides knew a great deal about his mansion and how he ran it, they knew almost nothing about his railroads and how they ran them.

Aside from formal programs, we had "open mike" sessions every day, and had an exceptionally large and well designed hospitality room, where attendees socialized every evening.

Rich Nymoen is now part of the conference planning team, and we look forward to future conferences being as successful as this one was.

Prosper Australia News

News from our secretary, Anne Schmid.

The news is the wonderful publicity that we've had over the last few weeks in the major Melbourne newspapers and television. However, we must remember that a lot of hard work goes on behind the media coverage. Karl Williams said at the Executive Strategy meeting that what Prosper needs are ten more Karl Fitzgerald's, ten more Gavin Putland's and ten more David Collyer's. We all agree.

Campaigning for a better tax deal for working people is a pretty big task! This was highlighted last week when our application to attend the Canberra tax summit in October was knocked back. Ken Henry and his panel put the case for eliminating/lowering inefficient taxes and instead to have a new look at land and resource taxation. This is our stance and we were looking forward to exploring these ideas at the summit. We believe that this knock-back is a sure signal that land and resource taxation is off the agenda in Canberra in spite of the gloomy economic outlook. We are now exploring other ways to keep resource and land taxes on the table.

Now is a good time to consider joining Prosper Australia and adding your voice to the call for a strong, vibrant, efficient and fair revenue system. We urge all our readers to become members. If you agree with us - that bad taxation damages the work ethic and hinders the efforts of community in striving for a cohesive and inclusive economy, please join us. People need to hear the land tax story. We are proud of our journal and we are always overjoyed to have new readers. We welcome new readers of this issue and hope you will be inspired to a new way of looking at the economy.

If you have been on our mailing list for sometime and are convinced of the sense of our message, please phone us up and join. We need you.

And members: a reminder to come to the member nights on the first Thursday of each month. This is another excellent way of introducing your friends to our ideas and thus building our membership base.

Prosper thoughtfully
Anne Schmid
Secretary

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