

PROGRESS

The Journal of Prosper Australia
& EarthSharing

July – August 2002
Number 1050 \$2.00

The Ageless Economic Wisdom of Henry George (see page 13)



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plus..... **World News, Jokes, Letters, Quotes, Notices and Contact List**



Let me tell you, folks – with the scoops I’ve just sniffed out, it’s just as well I have my trusty 4-armed personal assistant to help me with the typing. Shiela Newman’s groundbreaking research into the vested interests quietly driving our immigration policy lifts the lid off some very grubby politics – with a clear Geoist message. Mark ‘the Sheikh’ Hassed has dusted off his quill to write a timely piece on Oz’s frenzied property-related borrowing. Leo Foley saw a cat but Geoff Forster wasn’t able to shoot it. (?) This issue also marks the first of a series of pieces from over the ditch in Kiwiland by Bob Keall. And, from now on, there’ll be a regular joke section

My dear old Auntie – where would a guy be without her? No, I’m not talking about my good old Auntie Marj, but Auntie ABC. It’s one of the few remaining bastions of free and independent speech onto which we’re desperately hanging by our fingernails, as little Johnny Howard is paving the way for a further concentration of media ownership, not to mention his government’s attack on the independence of the judiciary, and his politicisation of what should be an impartial public service and non-political armed forces.

No, Auntie certainly gives me my 8 cents a day. I have 3 radio-cassette players hooked up to electronic timers so I can record hours of quality Radio National programs, to be listened to in the kitchen, in the car, or wherever. My EarthSharing colleagues often have class *Background Briefing* documentaries passed on to them, just to mention one of many noteworthy programs. Do you remember that Marx Brothers scene on board a luxury liner where Groucho is luring unsuspecting passers-by into his absolutely chocka block cabin? Then along comes the

snooty old dame who opens the door, and the whole twenty entrapped passers-by cascade down on top of her. Well, be wary of opening Bryan Kavanagh’s hall closet, dear reader, lest a similar avalanche (of unreturned audio cassettes) bury you there and then.



So I was listening to another absorbing doco the other day, *Street Stories*, which followed the lives of drifters who prefer to live rough and homeless (though they’d disagree with these terms). One interviewee particularly interested me – a sort of Mother Nature’s Son. With a mellifluous voice and a shining disposition to match, this young man had spent years wandering the bush and tuning into nature. Not surprisingly, The Universe synchronistically shone down on him, and he was going for it.

This beautiful being (who’d be a failure in Mr. Costello’s view of turning humans into efficient economic units of production) had deprogrammed himself after the usual stultifying education system, and saw the world in fresh and original ways. And, because I could rewind the tape and jot down his words, here I present to you an

unbrainwashed view of our relationship to the Earth:

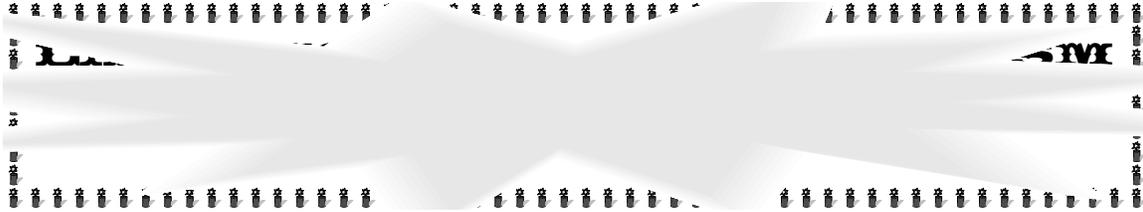
“I feel I have a right to live – you know? *Everybody* has a right to live on the Earth without having to pay money. I actually find the thought of one person owning the land which we were all born into as far as I’m concerned *everybody* on the Earth owns the Earth. You know, every *creature* owns the Earth – how one man can *own* it and then charge a rent for another man to have it you know, it’s outrageous to me.”

ooOOoo



- Karl Williams, editor
Articles or snippets are most welcome, preferably sent to me by email to karlwilliams99@hotmail.com I’ll definitely acknowledge any email submission, and shall offer feedback & help to knock it into shape if needed and if you so wish.

“Site Revenue would be inherently beneficial to the environment, removing profiteering in its "developmental" value and encouraging the widespread low-impact, low-demand lifestyle so necessary for a sustainable civilization & avoidance of war.”
- David Spain



[Ed: I recently clipped and polished this cracker of an analogy from the LandTheory discussion list. I think its author was a guy named Andrew, who went under the pseudonym Andrew Neurotic. More like Andrew the Wise, if you ask me]



Imagine a bar.

The money you pay for a drink is the “labour” you have to invest to get a “product” (drink). The table and the chairs are the “land”.

In socialism, ten people arrive, sit down at a table for ten people, order ten drinks of different value, calculate the total amount they have to pay, and then pay equal shares each. An eleventh person appears, so everybody has to stand up and nobody can claim a seat any more.

In capitalism, five people arrive and claim two chairs each. Five others arrive and pay for two drinks each, one for themselves as well as one for their landlord in exchange for the "right" to sit on one of

the claimed chairs. An eleventh person appears and cannot sit anywhere unless he agrees to buy two drinks for one of the land lords, whose original tenant then has to stand.

But with Georgism, five people arrive and claim two chairs each. Five others arrive and legally claim that the total amount of shares is to be equally divided by the number of people. They do that and so each person gets a seat and pays for their own drink. An eleventh person arrives and they start bidding. One person agrees to stand in exchange for a few drinks.

In a bar, the barkeeper (“government”) could intervene, but in reality nobody does.

“Labor politicians must be reminded that when the Liberal Government abolished the Federal Land tax in 1953, the Labor Caucus unanimously resolved to authorise Arthur Calwell to tell the Parliament of his party’s total opposition to the government’s decision. He declared: ‘We have always believed in the land tax, and when happy days come again we will restore the measure of imposing that tax on the statue book of this country.’ ” (Hansard, 24 February 1953, page 62)

- Clyde Cameron

“Site Revenue would force maximum utilization of holdings and would end tenure of sites for speculative reasons. This would release masses of land onto the market, especially at marginal locations (e.g. desert fringes). This land could be obtained cheaply by the community and dedicated as national parks (preferably with broad inter-linking swathes), or as local beauty-spots, which would bear no Site Revenue obligations.”

- David Spain

A DIFFERENT SLANT ON PROSPERITY

BY MARK HASSED



A few years ago a friend started sending me emails telling me that the banking system is behind a lot of our economic problems. Naturally, having read Henry George's works, I knew much better and so I politely put him straight and then promptly forgot about the whole thing. I had more important fish to fry and was working on an explanation of why Australia's economic fortunes had declined over the past 40 years. And, clearly they had.

40 years ago it was possible for anyone who wanted work to be employed. There was none of this 10% chronic unemployment we have today. It was possible for young people to get a job without years of training in TAFEs.

We had a standard of living that by whatever way they used to measure it was near number 1 in the world. Housing was affordable and generally good quality. Inflation and interest rates were very low. A single wage could keep a family (and families were larger back then) in comfort and security. Business was buoyant and not tied down with mountains of form filling. We even had a currency that was worth something – our dollar was worth more than \$US1 and more than DM4. Europe was a cheap travel destination!

Then a couple of decades ago things started to change.

Unemployment today fluctuates between 6 and 15% despite vigorous manipulation of the figures. The 30% unemployment among youth would have been considered a national outrage

40 years ago, but now we accept it with a resigned shrug.

Our standard of living is number 17 in the world and heading south, housing costs are rising beyond the means of even solid wage earners, and 2 wages are need to keep a family afloat. Ten Aussie dollars and a nice smile will almost get you a cup of coffee overseas. Forget about that European vacation unless you have serious money to throw around.

So, what happened?

It started to dawn on me that my friend who blamed the changes on our banking system was right. Let me explain.

In a system, such as ours, based on

Today the qualifying attribute for a substantial loan seems to be that you have a pulse This removal of all restraint on borrowing capacity has created a white hot property market

outright ownership of land, low land prices lead to prosperity. Why? Because they mean that you don't end up saddled with large amounts of debt in order to gain access to the land you need. High land prices, by contrast, mean that you end up with huge debt and crushing mortgage repayments. Also, high land prices divert capital away from productive activities, such as plant and equipment uses. Ask yourself whether the boom in land prices in Australia created any more jobs.

So to summarise: low land prices lead to prosperity, high land prices lead to poverty.

I believe that politicians 40 years ago were aware of this, but this knowledge has been forgotten by today's polities to our detriment. Those of you who can think back 40 years will remember how regulated the banking system was. To qualify for a loan you needed to have a 20% deposit saved for 5 years. 15% and 4 years didn't cut the mustard. This restraint on borrowing kept the heat out of the property market.

Also, regular credit squeezes stopped excess borrowing capacity finding its way into property prices. In 1961 Sir Robert Menzies almost lost a federal election because he imposed a strong credit squeeze. You have to believe that either Sir Robert thought credit squeezes were fun, or he knew of their value. Then, successive Federal Treasurers threw the shackles off the banking system. The stated reason was to create competition and to get customers a better deal, but the results have been disastrous.

Today the qualifying attribute for a substantial loan seems to be that you have a pulse. "Is \$500,000 enough or is \$600,000 better?" ask 'helpful' bank staff. This removal of all restraint on borrowing capacity has created a white hot property market. Every Saturday at sites all around Melbourne it is possible to see people bidding frantically for the opportunity to become slaves to the bank for the next 30 years. Last year the median house price in the 'leafy' suburbs of Melbourne rose 20% and in Canterbury 50%.

The deregulated environment has produced record profits for banks, land speculators, and real estate agents. For the rest of us it has been a disaster.

So, what's the relevance to us? We have reached the position that it is time we got things moving in the right direction. We can go on attempting the quixotic task of getting the federal government to impose a land tax, or we may try a different approach.

We could try lobbying for restraint in the banking industry. This is an achievable objective; an objective that the general public could agree on and support; one that the politicians could get behind. After all, who doesn't despise the banks today? Or, we can shrug our shoulders, like I did, and go on lobbying for a reform that every major political party regards as electoral suicide.

****ooOOoo****



Street Beat

by our roving Community Geogist
Peter Consandine

When I was a cabaret performer in the 1970's, I knew a comedian who always held that he would not ever work at the club he was a member of, namely The Western Suburbs Leagues Club, in the inner western Sydney suburb of Ashfield. His name was Bruce Sacre.

Eventually, I was offered a booking at The Wests Leagues Club and I added the date to my venue diary. I was, in retrospect, glad that I defied old Bruce Sacre's philosophy because on the Sunday night I performed at "Wests", I was backed by the very fabulous Warren Carr Orchestra and my performance must have been meritorious on the first occasion for I was re-booked.

This story dovetails in with the experience I always seem to have when I stage a Street Fair at my local shopping centre at Castle Hill. Now, I do not set up in Castle Hill every year – the primary reason is that it does not seem to be financially worth doing so despite having the highest disposable Local Government Area family income, per capita.

That's not to say that I haven't encountered some interesting characters at "The Hub". And at the April, 2002 Street Fair conducted at Castle Hill – the first in three years – there was no exception on that count.

We don't have a sign inviting browsers but whenever I notice somebody giving the stall – up to seven bridge tables wide on some occasions – the once-over I usually inform the said browsers to take their time and that it won't cost them to go on about their browsing.

It was, it so happens, a Summer's day in Autumn when I noticed a well-dressed (over-dressed more likely) elderly man transfixed on the cover of one of the last Special Editions of "Good Government" I have in my wherewithal – the one with Clyde Cameron, the very old Labor warhorse, on the cover under the captive heading: "HOW LABOR LOST IT'S WAY".

The elderly man in question was, he revealed, "old Labor" – he even had a Barrie Unsworth-style grey cardigan on underneath his suit. He was a Justice of the Peace into the bargain.

The man's name was John Williams. Quite a common name, really. He admitted to being in his seventies and to "remembering" the so-called Labor Good Times – the times up until and including Gough Whitlam's prime ministership. He did not recall the Hawke/Keating years with any great affection – or so he said.

However, he could not put a name to the face on the cover in question. He was even somewhat surprised to be informed it was Old Clyde.

Ah! But he somehow did remember the good old days when Federal Land Taxation formed part of the Federal Labor platform. He had to have a copy of the Special Edition! And that's not all. He took my advice and also bought copies of Philip Day's book: "LAND", Sir Allen Fairhall's book: "TOWARDS A NEW SOCIETY" and Bryan Kavanagh's booklet: "THE RECOVERY MYTH" plus the Ecological Tax Reform Kit I prepare for distribution...a \$30 sale in all – nearly one third of my day's takings in one fell swoop.

He was visibly disappointed when I apprised him of current Federal Labor

Opposition Leader, Simon Crean's admission to a not too distant past Sydney Institute gathering: "Yes, Land Value Taxation is the purest form of economic rent but No, Labor will have no part in resuscitating it". I believe I heard old John exclaim: "Shame about that"!

Did I have a prospective convert to the LVTSA?

"No, I respectfully decline your offer, Peter – only because I am, I feel, just a little too old now for activism".

Wouldn't he even become merely a passive but supportive Book Member of the LVTSA?

"Again, no Peter - my long-suffering wife wouldn't like me to".

The moral of the story is that it is possible to follow yourself – something the old stagers such as Bruce Sacre always maintained you could not do – but you most decidedly must appeal to women with your product & pitch!

****ooOOoo****

Ed: Let's continue to visit the principles and objectives of our far-flung sister organisations:

The stated aims of The Resource Rentals for Revenue Association, based in Auckland and headed by Bob Keall:

- REPLACE taxes on the earnings of labour
- ENSURE exclusive possession and security of tenure
- SECURE environmental constraints
- MAKE the earth the birthright of all

Private Enterprise must not include private ownership of the elements of life. Free trade must not include the freedom to "invest" in owning others' natural resources which should rightfully be their source of revenue.

WHAT AND WHO IS DRIVING POPULATION GROWTH IN AUSTRALIA?

By Sheila Newman

[Ed : You want a scoop ? Well, here's a triple scoop, dipped in chocolate, sprinkled with nuts and plastered with cherries . Melbourne's own Shiela Newman has just completed an MA by research in Sociology which compares population policies in First World countries from 1945 with projections to 2050, and in this extract she lifts the lid off the yet another sordid side of our current property market.

This is just one portion of an extremely wide and thoroughly-researched piece of work, which took Shiela to France and beyond a number of times. Rest assured that, in its full academic version (too lengthy to reproduce here), sources have been rigorously researched and cited, and methodology fully explained. Shiela is open to further enquiries at smnaesp@alphalink.com.au Alternatively, contact at (03) 97835047 or PO Box 1173, Frankston Vic 3199]



views of the many Australians that support responsible population growth", the committee nevertheless has very close connections with

Business organisations are the main drivers of immigration, constantly lobbying government to enlarge the formal immigration intake. The Australian Population Institute has very close connections with property development

Many people believe that Australia takes immigrants mainly for humanitarian reasons. This is only true these days in the case of refugees. Rather, most immigration is justified on economic grounds based on the desire to create a larger local market and to stimulate inflation. Thus business organisations are the main drivers of immigration, constantly lobbying government to enlarge the formal immigration intake. If Australia's economic program were to be reduced, there would be more room for refugees. All population growth, however, must be costed. The higher our standard of living, the smaller our population must be.

The most active of the population boosting business organisations seem to be in the areas of property development and housing, such as the Housing Industry Association and the Urban Development Institute of Australia.

The Australian Population Institute (APop) is also an outspoken advocate of higher immigration. While it claims to have no political or other mission objective other than to "represent the

property development. APop president Albert Dennis, for instance, is Chairman of the Dennis Family Corporation which is reputed to be Victoria's largest private land developer, with considerable land holdings in Melbourne and Brisbane. APop's Secretary Geoffrey Underwood is Director of Underwood and Hume P/L, a group of Town Planning Consultants. And Vice President David Coomes is Managing Director of the Coomes Consulting Group which is concerned with development and engineering of major residential and industrial estates as well as roads, bridges and assorted infrastructure. In addition, APop itself admits that it began with "initial support and seed funding of the peak body, the Urban Development Institute of Australia", which is of course an association of property development organisations.

Other business organisations, the upstream and downstream industries to housing and infrastructure industries, are also involved in advocating population growth through higher immigration levels. Phil Ruthven of IBIS International lists

such downstream industries as "banks, building societies, other mortgage providers, and residential property operators." Upstream providers are manufacturers and suppliers of "every conceivable building material".

A number of names crop up regularly in the press advocating population growth via high immigration. Many are also cited by APop as among its early core supporters, described as "a group of non-political businessmen". These supporters are: Tony Berg [a member of the Business Council of Australia's population committee in the Australian]; Lindsay Cattermole [Member of the Committee for Melbourne]; Ivan Deveson [director of Crane Group Ltd and United Group Ltd, groups with very wide interests, including construction and asset management; and Chairman of the Business Skills Assessment Panel for the Immigration Department from 1992-1996, and Lord Mayor of

These changes have led to the globalisation of the property market, which means that people from all over the world compete to purchase property in Australia or to invest in developments. Housing may be purchased "off the plan". Few barriers remain.

Melbourne from 1996-1999]; Hugh Morgan, [Mining]; Richard Pratt, [Visy Industries]; John Ralph [Director of BHP Ltd., Commonwealth Bank, Pacific Dunlop, and Telstra Corporation]; Phil Ruthven, [IBIS Business Information Service]; Ron Silberberg [Housing Industry Association]; Jack Smorgon

[major property and manufacturing interests] and Malcolm Fraser.

They are a relatively small circle of people, but they do get a lot of press. This may be because Australian media owners have substantial interests in real estate marketing. For instance, both the Fairfax and the Murdoch Press are owners of major on-line property dot coms which advertise Australian property to a global market.

THE RELATIONSHIP BETWEEN RISING HOUSE PRICES AND HIGH IMMIGRATION

Clearly developers, builders, and infrastructure engineers are a major force driving population growth in this country. And population growth is what is driving profits in the property development industries. Apart from statements from the Reserve Bank and property developers themselves, this can be demonstrated by comparing housing prices in high immigration cities and low immigration cities and regions. Compare the two graphs below.

Melbourne experienced high outflow of population to other states between the years 1985 and 1997, which cancelled out much of the effect of overseas immigration numbers. Sydney also had high interstate emigration but this was compensated by the very high overseas immigration. Brisbane experienced very high interstate immigration and relatively high overseas immigration, resulting in very high population growth overall.

It is possible to detect jumps in property prices where particularly high net migration has occurred. For the years 1950 and 1979 average total net overseas migration was 84,430 per annum. Between 1985 and 1989 the annual average was 137,580, the highest on record post WW2. Between 1995 and 1999 average total net immigration was almost as high, at 106,024. In cities and regions that do

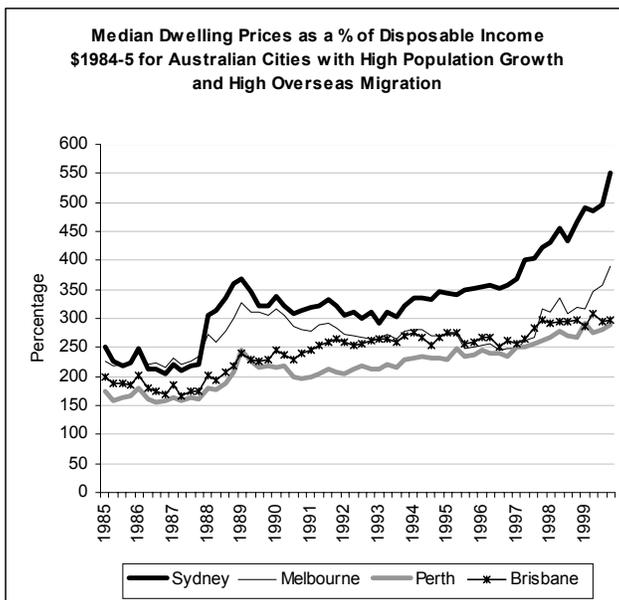


Figure 1

not have high immigration, property inflation is much less and there is none of the ratchet effect which we can see in the high immigration cities. To the contrary, although prices rise moderately from time to time, there is

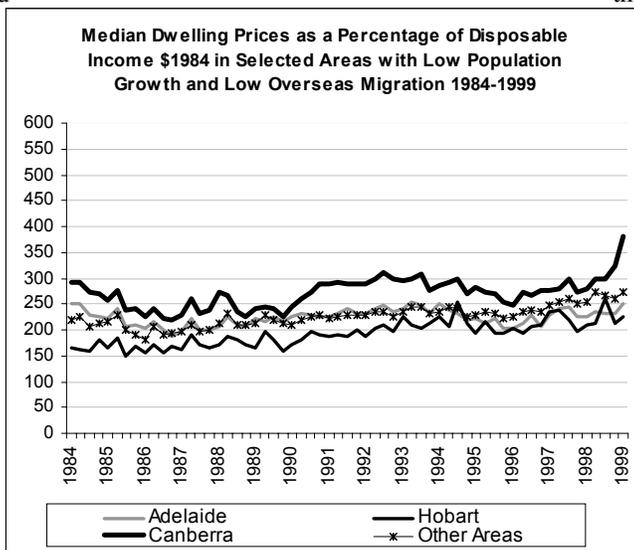


Figure 2

always a market correction. The comparison can be made internationally.

In France, where there is no positive relationship between overseas immigration and property development, there is also no such ratchet effect, even in Paris. Between 1985 and 1995, under the influence of the global property boom, massive

inflation occurred for the first time, but prices eventually returned to the place where they started. In contrast, in Sydney, Melbourne, Perth and Brisbane they have risen continuously.

The top line, indicating higher prices, is always for Paris. The second line is for other French urban centres, and the lowest line, "Province" is for Other Areas, including non-urban. The graph shows the ratio of disposable income to domestic property prices per square meter from 1979 to the year 2000. Affordability was highest in 1981. Between 1987 and 1996, however, France, mainly Paris, was affected by the same period of global property speculation that affected Australia. This was the first time France had undergone such a phenomenon. In contrast to Australia, however, the prices returned to the level preceding the speculation bubble.

Figure 3 shows that dwelling prices in France have risen and fallen quite steeply, but there appears to have been an overall stability, since 1965, when they stopped rising in real terms. Even in Paris the first big speculative bubble between 1985 and 1995 eventually came back to its starting point. This was an international bubble and was associated with the globalisation of the property market, not with population growth or growth in household formation.

GLOBALISATION OF THE PROPERTY MARKET AND ITS RELATION TO POPULATION GROWTHISM

The first graph showed that high immigration cities have higher house prices. But there is another factor influencing high prices: globalisation.

The Whitlam Government (1972-1975) was strongly opposed to foreign borrowing in exchange for equity and had the lowest rate of foreign

ownership (10%) for Australia since the second world war.

The globalisation has almost certainly caused lengthening and deepening of property market cycles; that is, it has caused higher price peaks over longer periods of time

The Fraser Government began to liberalise the Foreign Acquisitions and Takeovers Act in 1975. It has been progressively liberalised since, and to this has been added deregulation of banking. From less than 10% in 1972-75 under Whitlam, foreign investment in Australia increased to 49% of GDP in 1990-91. By 1986 *more than half* was destined for real-estate investment.

These changes have led to the globalisation of the property market, which means that people from all over the world compete to purchase property in Australia or to invest in developments. Housing may be purchased "off the plan". Few barriers remain.

The globalisation has almost certainly caused lengthening and deepening of

But it is high immigration that has kept those [property] prices high - which has caused the ratchet effect familiar in Australia's high population growth cities.

property market cycles; that is, it has caused higher price peaks over longer periods of time. But it is high immigration that has kept those prices high - which has caused the ratchet effect familiar in Australia's high population growth cities.

In the absence of high immigration or some other form of rapid population growth, such as high fertility, even long deep cycles are eventually corrected by the market, as may be seen in a comparison with French and Parisien property cycles between 1965 and 1998.

In Australia, at the beginning of 2001, overseas purchases accounted for 30% of unusually high, often

Graphique 2 : indice du prix des logements en unités de revenu disponible par ménage
Ratio prix des logements/revenu disponible par ménage (base 1965)

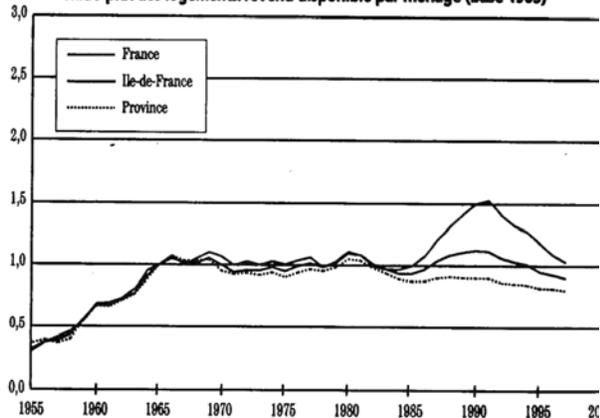


Figure 3

"extraordinary" real estate profits, mostly in the high migration cities.

There is a statistical relationship between immigration and housing production in Australia. There are also links between high prices and a combination of high immigration and foreign investment in property.

This is further evidence of why the property development and housing industries find immigration worth lobbying for in Australia.

It is used in the following way. In order to attract foreign investment there is a need to convince the potential investor that the population is growing and expanding and that so therefore is the need and the market for infrastructure and housing.

Obviously nothing like the Australian rate of expansion exists in France or Western Europe. (An exception would be the case of Germany, which, since reunification, has suffered increased competition for housing through immigration from Eastern Europe.) In First World countries it seems to be a phenomenon virtually exclusive to the English-speaking settler states.

A special system of land development planning and housing that encourages land speculation also appears to be a major reason why populations are growing fast in Canada, the US, and Australia, whereas in the European part of the First World, high immigration ceased after the 1973 oil shock, redirecting the population trajectory towards a decline to 1960s levels after 2050.

For the environmentalist who is aware of the dwindling quality of vital resources like soil and water, and to those who love the natural world, the costs of this expansion of population and infrastructure in Australia to the general community are obvious. However the speculative relationship between population growth and property development has major social as well as environmental significance.

The social consequences of land speculation in Australia are:

- Increasing homelessness
- Increasing cost of housing
- Increasing socio-economic and class division between the property rich and the property poor

A special system of land development planning and housing that encourages land speculation also appears to be a major reason why populations are growing fast in Canada, the US, and Australia

The situation is affecting the young, many of whose potential earnings are diminishing as home ownership prices and rentals increase. The option of home ownership as a hedge against poverty in old age is fast disappearing. The socio-economic division between the propertied elderly and the renting elderly is growing. A new issue is the ability to cash in on property to pay for accommodation in nursing homes. This option, of course, also reduces

the prospect of inheritance for young people.

A situation has evolved where most Australians cannot afford to live in Sydney and where only the outer suburbs of the other big immigrant receiving cities are still affordable.

A certain class of Australian residents and foreign based investors - those who own property in the high population growth cities - are often in a position to be able to profit from the fairly constant rise in city dwelling prices. For this group, dwelling price inflation provides speculative opportunities to those home owners. Note however that one third of the Australian population owned no property at all in 1996.

People who live in the cities, but who do not own land or dwellings, and people who live outside the cities, whether or not they own properties in non-growth areas, are not able to profit from this city dwelling price inflation. This means there is a basic inequity between property and non property owners in the city and between the country and the city. Our land development planning and housing system is one of the forces at the root of the growing social and economic divide between propertied and unpropertied classes and of the antagonism which accompanies it.

HOW A GEOIST SYSTEM WOULD COMBAT PROFIT FROM SPECULATION

Of course, if the Geoist principles of Land Value Taxation (LVT) were in place there would be no opportunity to speculate on land at all. When the economic rent is fully collected on behalf of the community as the natural (and entire) source of public finance, then the market value of land is zero and no profits can be made on land dealing.

Even if we only collected a part of what should be the full LVT, opportunities for speculation would be much reduced. With landholders having to pay a some LVT each year,

they would be pressured to either put the land to its optimal use or pass it on to someone who will. For, whether landowners are making best use of their land or not, they are still required to pay the same annually-assessed LVT.



What's all this then? This Shiela's supposed to be doing research in Paris, not getting involved in some anti-LePen demonstration!

Besides a host of other environmental, practical, community-building, economic and social justice advantages, this Geoist system of LVT precludes any evasion of one's proper dues to society. With a relatively simple system of independent, professional assessments of LVT due each year and with all assessments quite properly being open for public scrutiny, the LVT cannot be evaded – unless somebody finds a way to hide land!

Of course, if the Geoist principles of Land Value Taxation (LVT) were in place there would be no opportunity to speculate on land at all Even if we only collected a part of what should be the full LVT, opportunities for speculation would be much reduced

Furthermore, this system encourages spending on public infrastructure for, with LVT, enhanced land values are “recycled” back to the community coffers rather than enriching private landowners. The visible result of this

system would be dramatically different – a much more compact, efficient cityscape, with upgraded and affordable infrastructure.

This very brief summary should still indicate how the Geoist economic system would radically alter the pattern and scale of urban growth, though it must be noted that such advantages are a mere spin-off from a much wider restructuring of our economic and social policies, particularly in the realm of employment, economic efficiency and social justice.

PENDING A GEOIST REVOLUTION, WHAT ACTION CAN BE TAKEN AGAINST PROFIT FROM SPECULATION IN AUSTRALIA?

It should be noted that there are other effective anti-speculation practices outside the Geoist model, as we have observed in Western Europe. While these European practices fail to systematically address the root cause of the corruption and pressure to overpopulate caused by rent-seekers in the sphere of property development, they do provide some good ideas about how to prepare the way for Geoist thinking.

So the following are really recommendations to stem urban sprawl and population growth under the present system. A number were designed largely to cut nourishment off from speculators and precipitate their decline and hence their capacity to perpetuate the system. Once you starve off your interest group it is easier to change the whole system. Some ways of starving developers are :

- a) to reduce immigration to zero net thereby taking advantage of the current trend of the Australian population to stabilize in size and structure.
- b) for everyone to only buy old houses, never to purchase on newly cleared land, and to build new houses only on property that was developed previously - i.e. to redevelop.

The suggestions for modernizing the building industry have the purpose of making it

- a) independent of land developers
- b) more capable of withstanding economic pressures and the boom bust housing market by

- (i) reducing its cost margins
- (ii) facilitating diversification into high quality renovation and other projects which can be conducted without the need for a constantly expanding market.

As well as ending the artificially accelerated population growth that speculators rely on, government needs to:

- tax speculative profits made on land transactions
- provide public housing and low cost land development to compete with speculative housing development
- boost funding and resources for European style building trades education to enhance use of technology, modern organisation and modern marketing and production methods, including factory production on demand to replace speculative boom and bust building on land bank estates
- plan development nationally, according to finite zones, and
- refuse local rezoning according to

The visible result of this [Geoist] system would be dramatically different – a much more compact, efficient cityscape, with upgraded and affordable infrastructure

private deals or reasons not coordinated with national and bioregional zoning.

In addition to advocating the purchase of established residences only, Australians need to:

- highlight the ecologically damaging and anti-social nature of further extension of housing and infrastructure
- recognise land clearing for the social and ecological evil it presents

- develop more efficient organisation of space, infrastructure and transport in light of a looming long-term commercial energy shortage.

Once you starve off your interest group it is easier to change the whole system

Pending a Geoist revolution we will have to tinker with what we have. It is therefore vitally important to publish research that will educate the Australian public about the connection between land speculation, high housing prices, and high population growth so that they will be motivated to prioritize the reform of our system of land development planning and housing.

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ial, commercial & rural zones) would be towards individuals –sometimes writ large as corporations – owning & managing their own properties. There would be a general tendency

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GIGGLES & GROANS

Q: How many Chicago School economists does it take to change a light bulb?
A: None. If the light bulb needed changing the market would have already done it.

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Q: How many mainstream economists does it take to change a light bulb?
A: Two. One to assume the existence of ladder and one to change the bulb.

☺ ☺ ☺

Q: How many economists does it take to change a light bulb?
A: Eight. One to screw it in and seven to hold everything else constant.

☺ ☺ ☺

Kenneth Boulding said, "Mathematics brought rigor to Economics. Unfortunately, it also brought mortis."

☺ ☺ ☺

Three econometricians went out hunting, and came across a large deer. The first econometrician fired, but missed, by a meter to the left. The second econometrician fired, but also missed, by a meter to the right. The third econometrician didn't fire, but shouted in triumph, "We got it! We got it!"

☺ ☺ ☺

Two neoclassical economists meet on the street. One inquires, "How's your wife?" The other responds, "Relative to what?"

☺ ☺ ☺

To an neoclassical economist, real life is a special case

☺ ☺ ☺

I asked an neoclassical economist for her phone number....and she gave me an estimate.

'Tax Set-off' - from Negative Gearing to Blast-Off

by Bob Keall



[Ed: This is the first of a series of pieces from our Kiwi cousin, Bob Keall, pictured here with his wife and grandchildren. Bob heads the Auckland-based Resource Rentals for Revenue Association]



Most investments are expected to show a positive net return, and pay tax. The clever trick with property investment is to borrow to the maximum (negative gearing), so to incur a net loss to set off against other income, in order to minimise net tax payable overall *i.e.* a tax rebate now to finance a capital gain. Newspaper advertisements invite the public to seminars to increase their income now by paying less tax, and later, by picking up a capital gain.. On this basis some on huge incomes pay no tax at all, and may even supplement their income with drafts on their growing equities, farming economic rent and inflation. Even in terms of the income tax regime this is now regarded as anomalous.

Set-Off

The set-off mechanism can just as well be used to implement a land value tax or Resource Rental now! The same mechanism currently being abused to destroy society can be used to build it. Any Resource Rental should be set off against other tax payable, not just deductible from other income for tax determination purposes. The charge would then be seen as a valid and fair alternative - not just another tax, vulnerable to vested interests and every tax collector, at every level, every year.

The merits of the case for Resource Rentals are well set out elsewhere.

For those who accept the case but protest that it cannot be applied without injustice, invasion of property rights, or huge compensation, set-off is the complete answer to their plaint.

(a) It is no more an injustice than:

(i) Altering existing tax rates, as is done frequently.

(ii) Introducing a GST or other form of tax.

(iii) Changing the Rating system to include or exclude improvements, or to reduce property rates in favour of User Pays charges, now done arbitrarily and without reference to the Ratepayers.

(b) Income tax would be the biggest offender of private property rights conceivable. Any tax that confiscates the just rewards of industry, saving, and investment in production is clearly an appropriation of private property - normally called theft. Natural resources and natural monopolies are in fact public property

and should not be misappropriated as private property. When this distinction between public and private property is recognised, the issue of property rights is neatly resolved.

(c) It resolves the issue of compensation by applying the charge progressively, and is accommodated by way of tax abatement accordingly.

It must also apply to any Resource Rental or natural monopoly licence. Proceeds from Resource charges should be applied first to abolish GST, and then to give interim

accommodation to those caught in the transition.

Under set-off, any Resource charge is alternative, not just another tax. Above all IT IS SEEN AS

SUCH by the INDIVIDUAL TAXPAYER. Failure in this invites constant assault from vested interests.

MOREOVER, as the land value tax base is diminished and ultimately extinguished, the conversion to a comprehensive leasehold arrangement can be institutionalised. This would ensure:

(i) Collection of the full economic rent on a market basis, and an end to the inflationary element.

(ii) Provision for the disposition of improvements on voluntary relinquishment or forfeiture of the lease.

(iii) Other rights and responsibilities of both parties, such as compliance with environmental constraints, and protection from maverick bureaucrats.

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The Ultimate "Collectible" - Land

By Mason Gaffney



[Ed: I cobbled together here a few threads of conversation of His Geoist Eminence, Mason Gaffney, into this longer piece, and I hope I'm not doing him an injustice. The pearls of wisdom that flow from Mason's keyboard are amazing, and here he draws a great analogy to make an otherwise obscure economic point.]

50-70% of the cost of housing in the US is land price. In Australia, a recent survey of land cost found that 65% of housing cost was land. And in the UK, Kevin Cahill's book, "Who Owns Britain" tells us that a "housing plot" costs between half and two-thirds of the final cost of housing.

Such high costs could not exist in a conventional free market dealing with

The entire attention of the collectible world is focused on the "anticipated future price" - the expectation of continual increases

capital goods. The price mechanism would go to work to produce more land and transport it to the area of high prices. This negative feedback would quickly drop prices to a low figure (because there is so much land). Unfortunately, neither of these "feedbacks" is possible. We can neither make land, nor move it somewhere else. Land is not part of the free market, as the market that most closely resembles the land market is the collectible market.

The most obvious characteristic of a collectible is that it isn't easily reproducible. It doesn't have to be very rare - or unique. (There are actually six authenticated copies of the Mona Lisa in existence.)

A collectible doesn't need an income - sale price is everything. In fact, most collectibles are never used. However, they must be ready for sale. You don't rent out your antique desk. You don't even use it yourself. You wrap it in plastic and store it in the bedroom, or somewhere. This because you want it to be in mint condition ready for a sale. Then you don't sell. The engine of the collectible market is positive feedback - the opposite of the free market. Positive feedback drives prices away from equilibrium rather than toward it.

In other words a high priced sale of a similar collectible does not send you to market. Rather, you stay away as you expect your collectible price to rise still higher. And, in part, because of your holding out, the price does rise. This provides further incentive not to sell. Positive feedback is working. This doesn't matter much with a Tiger beer can, or a Van Gogh. It can be disastrous when the collectible is land - the basis of all production.

The huge "Rent Fund" is the creature of a collectible market in land. This "Rent Fund" is maintained by its collectibility. What happens when you place a heavy tax on it? Well, let's say you have kept your grandmothers clock, as a collectible, for decades. Its value increases by about \$500 a year - a good reason for hanging on to it.

Then, a Grandmother's Clock tax is imposed of \$475 a year. You decide not

to collect any more. You'll take the money - now nearly \$20,000 - and run. And you'll run straight down to the local collectible store and find yourself at the back of a line of other collectors - all with Grandmother clocks they want to sell!

Worse, on the tote board, GMC prices have already dropped to \$5,000 and, as you watch, it drops to \$4,000. Then the shop stops taking 'on consignment' clocks. They have too many - and the price is down to \$2,500 and dropping.



Fed up, you home and are about to return the clock to its secure storage, when you have a thought. You remove the plastic wrapping, place the clock proudly on the mantle piece. You are no longer a collector, but a user. This is analogous to placing a heavy tax on land.

The entire attention of the collectible world is focused on the "anticipated future price" - the expectation of continual increases. When a sale takes place at the current "anticipated", the expectation in the collector's mind jumps higher. Millions of Americans are involved in this already. Their home is not just a home. It's also a retirement condo in Washington, or Florida.

But, what happens when land prices begin to fall? This is not the way it's supposed to be. Some will hang on no matter what, but sufficient will decide to cut their losses to send prices down - perhaps precipitously (depending on how heavy the tax).

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The timeless economic wisdom of **HENRY GEORGE (1839-97)**

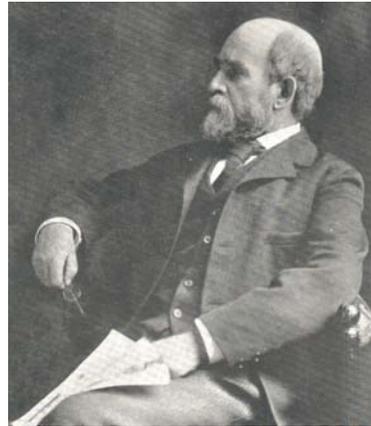
“This association of poverty with progress is the great enigma of our times. It is the central fact from which spring industrial, social, and political difficulties that perplex the world, and with which statesmanship and philanthropy and education grapple in vain. From it come the clouds that overhang the future of the most progressive and self-reliant nations. It is the riddle which the Sphinx of Fate puts to our civilization and which not to answer is to be destroyed. So long as all the increased wealth which modern progress brings goes but to build up great fortunes, to increase luxury and make sharper the contrast between the House of Have and the House of Want, progress is not real and cannot be permanent. The reaction must come. The tower leans from, its foundations and every new story but hastens the final catastrophe. To educate men who must be condemned to poverty, is but to make them restive; to base on a state of most glaring social inequality political institutions under which men are theoretically equal, is to stand a pyramid on its apex.”



“The tax on land values isthe taking by the community, for the use of the community, of that value which is the creation of the community”



“We cannot safely leave politics to politicians, or political economy to college professors”



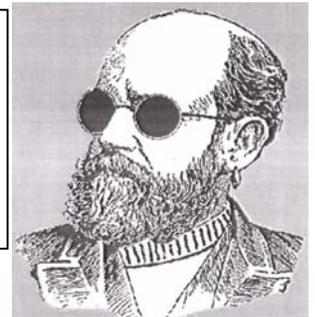
“We do not return to the earth what we take from it; each crop that is harvested leaves the soil the poorer. We are cutting down forests which we do not replant, we are ... flushing into the sea through the sewers of our great cities the elements of fertility that have been embedded in the soil by the slow processes of nature, acting for long ages.”

“It is not enough that men should vote; it is not enough that they should be theoretically equal before the law. They must have liberty to avail themselves of the opportunities and means of life; they must stand on equal terms with reference to the bounty of nature.”

“The poverty which in the midst of abundance pinches and embrates men, and all the manifold evils which flow from it, spring from a denial of justice. In permitting the monopolization of the opportunities which nature freely offers to all, we have ignored the fundamental law of justice – for, so far as we can see, when we view things upon a large scale, justice seems to be the supreme law of the universe. But by sweeping away this injustice and asserting the rights of all men to natural opportunities, we shall conform to the law – we shall remove the great cause of unnatural inequality in the distribution of wealth and power; we shall abolish poverty; tame the ruthless passions of greed; dry up the springs of vice and misery; light in dark places the lamp of knowledge; give new vigour to invention and a fresh impulse to discovery; substitute political strength for political weakness; and make tyranny and anarchy impossible.”

“To drop a man in the middle of the Atlantic Ocean and tell him he is at liberty to walk ashore, would not be more bitter irony than to place a man where all the land is appropriated as the property of other people and to tell him that he is a free man, at liberty to work for himself and to enjoy his own earnings.”

“The socialist mistake [is] looking on capital and labour as the two factors of production and as the two parties to the division of the produce. As a matter of fact there are, in our highly-developed industrial system, three parties of production, and always a fourth and generally a fifth related to distribution. In addition to A the employing capitalist and B the employed labourer, there are C the landowner, D the tax collector and generally E the representative of monopolies other than that of land. What A and B can divide between them is not the product of their joint efforts, but the product which C, D and E leaves to them.”



How I 'Saw the Cat'

by Leo Foley

While supposedly studying for my Economics Degree, which took all of the 1980s, I took every opportunity to avoid the books that I was required to read. But, in a perverse twist, I found great joy in exploring the library shelves and reading books on just about everything else. Some might call it an 'avoidance technique', but I prefer to think of it as the product of an enquiring mind!

On one of my library visits, I discovered the journal "Good Government", and was immediately drawn to the principles espoused, the concepts explored, and the arguments contained within. But I was by no means a convert. The ideas were interesting to me, but were part of the marvelous flood of information that I was being exposed to as a mature-age university student. I was studying part-time, while working in a busy job, so there was little spare time for pursuing concepts outside of the curriculum.

Over several months, I returned to the "Good Government" shelf several times, and continued to read and enjoy the articles. I found a subscription notice in one issue, but didn't complete it for a couple of years, after completing my Degree. Then I had the time to pursue the things that I had found interesting, without the constant pressure of assignments and exams. Eventually, I joined the NSW "Association of Good Government", and received my own regular copy of the journal.

It was a passive interest, though, confined to reading the journal without any discussion with others of like mind. Part of my confusion was the apparent disharmony between writers in "Good Government". I would read what I considered a fine article in one issue, only to find it scathingly attacked in the next. My

level of understanding was not such that I could easily tell who was right and wrong, but I became aware of entrenched positions and a serious



division in the ranks. I stayed out of that, despite receiving mail from both sides of the divide enlisting my support.

The New South Wales experience whetted my appetite, but did not satisfy me. By this time, I had the vague outline of the cat, but still had more questions than answers. So, while visiting Melbourne, I called in to Hardware Lane and obtained some literature. I joined Tax Reform Australia that day, and allowed my New South Wales membership to lapse. It started a much more fruitful exchange -- one that continues to develop. The 'cat' was clearer now, but by no means fully defined. I was still in the realm of the single tax.

The critical time for me came with the Internet. As I tapped into "The Progress Report" and the "Understanding Economics" course, concepts crystallised and I felt an affinity with the subject matter. "Understanding Economics"

introduced me to "Progress and Poverty" (which I had not read till then) and Fred Foldvary's editorials in "The Progress Report" broadened my horizons to think of Geoism as much more than a tax change. I now understood that the main thrust should be to maintain an attack on privilege, in all its forms. It became balm for my soul, and I sought the balm more and more. I had seen the cat and wanted more! It would be no exaggeration to say that they I became addicted to "The Progress Report", using it as a springboard to Geoist links around the world. That has waned now, although I am still a regular site visitor, but the Internet has so much wonderful information, that I feel I have returned to the wonders of the university library 20 years ago.

'Seeing the cat' has changed my outlook on most aspects of life, and everyday I look to apply it - to newspaper articles, work and community matters. That makes me something of an oddball, but I am hoping that a Geoist course that I am currently advertising in Hobart will lead to discussion groups and a vibrant Geoist movement here in Tasmania.

So, what can be learned from my experience?

- I found my own way to Geoism, but was helped by all those that produced and contributed to "Good Government" and "Progress";
- I was impressed by Geoist principles, but was wary of the in-fighting, which delayed my development for several years;
- I was turned off by constant references to events of 100 years ago, and the use of

It became balm for my soul, and I sought the balm more and more. I had seen the cat and wanted more!

- cartoons and material that was past its use-by date;
- Books like "Land" (P Day) gave me the information I needed to open dialogue with others;
- I was reluctant to open that dialogue, wanting to 'know it all' before I could get started. That was an incorrect stance. I'd now recommend anyone to get involved at any level, and learn. There are no simple answers to the big questions like compensation. It needs research.
- For me, face to face dialogue is essential, so contact with others was needed to move forward. I thank Fred Auld, Peter Consandine, and

'Seeing the cat' has changed my outlook on most aspects of life, and everyday I look to apply it - to newspaper articles, work and community

- Karl Williams for spending time with me in Tassie.
- I was impressed with articles that applied the principles to current day problems;
 - The late Tony O'Brien wrote articles with the references I required to satisfy my critical mind;
 - But most of all, the internet is the way forward!! It consolidates all our work, worldwide. It allows us to refer interested enquirers to well considered and well presented position papers, and to join in discussion forums with people who have thought about all these things before.
 - Get online!! But also stay in contact with our network of friends. Work together for the good of all.

Yours in Geoist harmony,
Leo Foley



PROSPER AUSTRALIA FORTHCOMING EVENTS

FORUM

**THURSDAY 25TH JULY 2002 7.30pm AT PROSPER ROOMS
1/27 HARDWARE LANE MELBOURNE 3000**

Professor John Freebairn will discuss the findings of the ***Review of State Business Taxes Feb.2001***. He was a member of the committee which prepared the report under the chairmanship of Mr. John Harvey. The expert Committee concluded after due research that for "long term improvements in Victoria's competitiveness and increased attractiveness to new investment," "the Government should.,"

- Abolish stamp duties
- Replace revenue lost through a reformed business land tax with low flat rate and no threshold.
- Immediately reduce – payroll tax rate (without removing the threshold)

The Victorian Government (i.e. Treasurer , The Hon Mr. John Brumby) rejected the recommendation to unify land value taxation and only adopted marginal reduction of stamp duties and payroll tax.

The Committee could only report on business tax reform. The Chairman, Mr. John Harvey, later pointed out that a uniform rate of land value taxation for all land would be an even more effective and equitable reform.

Professor Freebairn will suggest strategies and policy options to promote understanding, appreciation and acceptance of the reform. Being Head of the Department of Economics at the University of Melbourne, he will be well qualified to lead discussion at our Forum.

Parking Free off street parking can normally be found. However there is a car park in Hardware Lane (entrance via Bourke Street) After 4pm the flat rate is \$6.60. Park closes at 10pm sharp on Thursdays. Of course Hardware Lane is in close proximity to public transport.

Refreshments provided.Tea/coffee/nibbles.....
No charge.....All welcome...

ANNUAL COMMEMORATION DINNER

Monday 2nd September 2002 - Gather - 6.30pm
at
Monash University Club, Clayton

\$32. per head (drinks at bar prices)

Commemoration Speaker - Mr. Tony Lamb (former Federal MHR) and currently President of the Association of Former Members of the Parliament of Australia.



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THE INROADS OF THE TAXMAN

Two Melbourne Georgists participate in Melbourne's open-air opportunity for free speech on Sunday afternoons outside the State Library lawns, called The Forum – Melbourne's equivalent of London's Hyde Park. An application

was made to the City Council for a small grant to help with expenses associated with The Forum (mainly amplifying equipment). The request was granted, but an ABN was asked for. The Forum is an informal coalition, and does not have an ABN. On this occasion, the amount was forwarded intact, but for a future occasion it was explained that an ABN would be required, otherwise without it the Council would be required to deduct 48.5% in tax.

This interference in simple affairs of citizens is in marked contrast to huge fortunes made in land speculation while governments do virtually nothing.

BLACK AIN'T BEAUTIFUL

In 1998, the estimated sizes of various black economies were estimated to be the following percentages of the official economies: Japan and the USA – 9%; Britain – 12%; Germany and France – 15%; Italy – 24%. The scale of the black economy indicates the size of citizen revolt against government economic policy. One might add that experience shows that the introduction of a GST or its

equivalent increases, rather than decreases this phenomenon. Here is yet another advantage of implementing the Georgist or Geoist method of revenue.

ASSISTING THE NEEDY WEALTHY

Wealthy foreigners buying expensive homes in Canberra have received \$7000 grants under the First Home Buyer's Scheme, including a Cambodian recent arrival (a \$900,000 home) and a Hong Kong buyer (\$800,000). Parents were also buying properties in their children's names, gaining access to the grant. The scheme has paid out \$40.9 million in 19 months in the ACT. (Data from "Canberra Times", 10/5/02)

Anything, of course, except the fundamentals!

"LABORAL" TAX

The ALP has announced that it will no longer oppose the GST; it is too strongly entrenched. Just another example of how the two major political forces in Australia represent Tweedledum and Tweedledee.

SINCE WHEN, JOHNNY?

Early in the panic about high insurance premiums for medical practitioners, the Prime Minister made the strange remark on ABC radio that the government would not intervene directly for the insurance company concerned, as it was not its role to intervene in the operations of private companies.

This from a politician whose complex tax requirements impose all sort of pressures and complications for such companies!

HOPE REMAINS FOR RUSSIA

Russian President Vladimir Putin has been publicly insisting that Russia must draw more of its revenue from

the rent of natural resources. Moreover, a new political party, called United Russia, has emerged to support this idea.

(from the U.K.'s Centre for Land Policy Studies newsletter, 24/3/02)

DEADWEIGHT LOSSES

In the last financial year the UK economy could have been larger by £881 billion (that's *billion*, not *million*!). This deadweight loss has been calculated as the result of anti-economic taxes imposed under Treasurer Gordon Brown. Similarly, it has been estimated that the US economy has been under-performing by US\$1,308 billion. (UK Economic Intelligence, April 2002).

It would be interesting to have a similar estimate for Australia's Howard/Costello budget. One suspects the percentage could be similar to that for Britain.

TAX REFORM OR TAX RERORT?

Late in April, Channel 9's *A Current Affair* had a segment showing how easily the GST could be rorted by filing bogus Business Activity Statements and claiming substantial rebates, which were granted without any checking.

Clearly the Howard/Costello "tax reform" is in tatters. This could be one more nail in the coffin of our current taxation mess, leading to a realisation that the only revenue system that meets the criteria of equity, efficiency and transparency is that of Georgism.

WHAT DEBATE?

During January a debate arose between the Centre for Independent Studies (a right-wing think tank), and the Smith Family (a charity group). The former claimed 1 in 12 Australians were living in poverty and the later, 1 in 8. Of course, it all depends on the assumption

TREACHEROUS ACADEMICS AND POLITICIANS

By David Spain

and statistics used. A public policy unit of a university philosophy department pontificated that poverty was a moral issue. The writer does not follow the media closely, but saw no sign of anyone pursuing the causes of poverty.

While personal misfortunes and irresponsibility contributes, there are of course structural causes of poverty – in particular, land tenure conditions and irresponsibility contributes, there are of course structural causes of poverty – in particular, land tenure conditions and way of raising revenue. The media are of course generally silent on such issues. What else could one expect with the current concentration of media ownership in Australia?

There are various organisations concerned with the alleviation of poverty, but few proactive towards the aim of removing involuntary poverty. Here is where Georgists can make a unique contribution.

Some readers may have seen those advertisements for meetings where explanations are offered for “get rich quick” schemes. Underlying it all, of course, is land speculation. While newspapers carry advertisements for such meetings, they are not likely to give favourable consideration to publishing Georgist letters.

QUOTABLE

“Success is not measured by what a man accomplishes, but by the opposition he encountered, and the courage he maintained in his struggle against it.” - Charles Lindbergh

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“Economics is a subset of political economy; political economy is a subset of socio-political philosophy; and, socio-political philosophy a subset of moral philosophy. The just society yields economic outcomes (i.e., the production and distribution of wealth) as do unjust societies. The just society also yields distributional outcomes consistent with moral principles. Take a look at the principles of cooperative individualism at the Society for Cooperative Individualism’s website [<http://www.geocities.com/ejdodson>]. See how they mesh with your sense of justice (or “holistic economics”).”

- Ed Dodson

The modern discipline of economics has been deliberately distorted by powerful vested interests so as to protect abuses arising from site monopoly. The current confusion of academic economists stems directly from the perversion of their discipline by powerful ‘Robber Barons’ in the USA at the end of the 19th century: these set up a string of universities and endowed Chairs of Economics which consciously peddled false doctrine in order to derail classical political economy in favour of Neo-Classical Economics [“NCE”].

NCE is a form of economics which set out to destroy the Site Revenue debate (so popular under the advocacy of Henry George a century ago) by ignoring sites as a separate factor in production, and instead conflating sites with currency savings, machinery, buildings etc. as just another form of capital. For a short-sighted century, economists who perceived the truth have been howled down by peer pressure and sacked.

This manipulation has fostered **private profit out of resource extraction** and environmental abuse (ignoring responsibility to inter-generational equity), perpetuated a down-trodden class of the poor & welfare-dependent, and prevented folk having access to land, so causing **unemployment** throughout the nations. Absent is the solid anchoring of steady land prices & employment. **Speculation** in land-price inflates artificial bubbles which burst, creating regular cycles of **boom-bust** economy. Financial Institutions become forced to make advances on the temporary, artificial, fallible & unreliable security of sites.

The Site Revenue proposal **threatens vested interests**. These include the 10% who control 90% of the wealth – a control which is almost entirely due to the private pocketing of site values. Also threatened are many politicians, bankers, lawyers, accountants, welfare dependents unwilling to shift for themselves, social workers, media proprietors and bureaucrats, all of whom are basically parasites upon disunity and have a vested interest in perpetuating it. The test & evidence of this can be seen in the total and deliberate exclusion of the Site

Revenue analysis from national tax summits (e.g. that of RJ Hawke in 1985), from the mainstream media, from school & most university courses, and from the invariable refusal of any expert to argue publicly against it. You will never see a refutation of this Site Revenue analysis. At most it will be met with shameful silence.

Site Revenue was a household concept a century ago, but confusion of debate by academics and a burying of the analysis by both wings of politics (lest it do them out of a job) has almost erased it from popular awareness. Collection of the unearned increment in site values (‘capital gain’) was a salient theme during the formative years of **ALP politics** in the 1890’s, indeed its total collection was ALP policy and in 1910 the Fisher Labor Government was actually elected to office on the sole issue of taxation of unimproved land values. Unfortunately, worker-wavering over the viability of free trade (a concomitant of Site Revenue) and political pandering to workers’ fears and the middle class, saw the introduction of “thresholds” and the gradual demise of the message in Labor ranks. Workers’ fears were that the Site Revenue would fall heavily on their little lots and that the rich man’s large income would escape unscathed: in fact, these fears are what the rich man desires most, for his swollen income arises from site monopoly in the first place. After the 1993 Federal Labor conference the truncated remnants of Site Revenue (then called land value taxation) was removed from the ALP policy reprint, without debate or formal resolution but probably by secretarial mistake, and it has never been reinstalled. **Perversion of the Site Revenue concept within the ALP** demonstrates one of the great dangers of democracy: that unprincipled individuals will wish to dominate big parties and will tell the masses whatever they wish to hear, not the truth.

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FACE TAX TO PAY FOR TRANSPORT

By journalist
Anne Davies

The State Government is seriously considering ways to tax part of the huge surge in real estate values that flow when a new road or rail project is built. The plan, to help foot the multi-billion-dollar bill for Sydney's transport future, would allow the Government to cream off part of the capital gains that usually go into property developers' pockets.

A committee, chaired by the Cabinet Office and including representatives from Planning NSW, the Department of Transport, State Rail, the Treasury and the Roads and Transport Authority, is looking at what economists call "value capture" or a "betterment tax". The test area is believed to be the Bringelly land release, where 30,000 home lots will become

director of planning at the architects Cox Richardson and a member of the Warren Centre, a



not to repeat the mistakes of the past by allowing building to start before public transport is in place.

A four-stop railway spur from the south-western line at Glenfield is planned for Bringelly, but money needs to be found to pay for it.

Studies have indicated payment would require a developers' contribution of \$60,000 a block at Bringelly. This contrasts with the \$3000-a-block levy on the Rouse Hill land release, which has been heavily criticised because of the lack of public transport.

think tank on transport matters. When Green Square was re-zoned as high-density residential - a move made possible by the Airport Rail Link - the developers reaped the rewards. Unit prices have risen by as much as 180 per cent in five years in the airport corridor, while taxpayers shelled out \$900 million to pay for the line.

Developers are already required to contribute toward the cost of extending infrastructure such as water and electricity to their sites. But a value-capture tax would make them contribute part of their large capital gain to big infrastructure projects.

A spokesperson for the Planning Minister, Andrew Refshauge, confirmed value capture could be tested on the Bringelly land release. Dr Refshauge has pledged

Property price rises around the M5 East motorway, which opened last December, show how transport adds value to real estate. Across Sydney's south, south-west and west, average house prices have risen from \$300,000 to \$343,000 - a 14 per cent increase - since the M5 East opened. Arncliffe, Bardwell Park and Bexley, the suburbs directly affected, have equaled or bettered the region's

The plan, to help foot the multi-billion-dollar bill for Sydney's transport future, would allow the Government to cream off part of the capital gains that usually go into property developers' pockets.

available over the next 15 years.

Planners say the tax is justified given the huge real estate windfalls in areas with new transport corridors

The lesson for the State Government has been Waterloo's Green Square, said Bob Meyer, the

Planners

about emissions from exhaust stacks, may regret not being there now that the construction saga has concluded. A four-bedroom house in Churchill Street, Bardwell Park

THE ECONOMISTS' BIBLE

by Gavin Putland

fetches \$593,000 last December, after the vendor had paid \$385,000 in 2000. The original owner had sold to the RTA for \$449,000 at the height of the controversy over the M5 East.

Greg Cohen, director of the commercial property agents FPD Savills, said the difference in rent between industrial property close to the airport and further out had all but evaporated. This is because the motorways have made Liverpool as accessible as Botany, he said. "The west has finally met the east."

Mr Cohen doubts the planned Orbital ring road project, linking the M5, M4 and M2, will have as great an impact. But Mr Meyer disagrees, saying the road will make a "huge difference", especially to freight forwarding companies.

A value capture tax on new developments might be the way to fund the \$800 million needed.

A series of business parks is planned along its route and will generate 32,000 jobs for the region, according to the chairman of the Western Sydney Economic Development Board, Jim Bosnjak. The board has begun a campaign to convince the Government to build a tunnel from Concord to Lilyfield to join the M4 to the city.

The Orbital will almost certainly lead to a boom in Parramatta, which is already likely to benefit from the Chatswood to Parramatta rail link if the Government can find the funding to complete it beyond Epping. A value capture tax on new developments might be the way to fund the \$800 million needed.

****ooOOoo****

Cain and Abel

And Adam knew Eve his wife; and she conceived, and bare Cain, and said, "I have gotten a man from the LORD." And she again bare his brother Abel.

Now Abel was a keeper of sheep, but Cain was a tiller of the ground. And though the land yielded more unto Cain than unto Abel, yet did Abel hire fewer labourers, wherefore he was able to pay more rent, which was counted to him for efficiency. Therefore, when Cain brought of the fruit of the ground an offering for rent, and when also Abel brought of the firstlings of his flock and of the fat thereof an offering for rent, the serpent had respect unto Abel and to his offering, but unto Cain and to his offering he had not respect. And Cain was very wroth, and his countenance fell.

And the LORD said unto Cain, "Why art thou wroth? And why is thy countenance fallen? If thou doest better than thy brother, shalt thou not be accepted? And if thou doest not better, vagrancy lieth at the door: unto thee shall be his desire, and thou shalt rule over him."

And Cain talked with Abel his brother: and it came to pass, when they were in the field, that Cain rose up against Abel his brother, and slew him.

And the LORD said unto Cain, "Where is Abel thy brother?"

And he said, "I know not: Am I my brother's keeper?"

And the LORD said, "What hast thou done? If thy brother shall not teach thee to keep sheep, who shall teach thee? How canst thou now compete? Thou art cursed from the earth, which hath opened her mouth to receive thy brother's blood from thy hand: a pauper and a vagabond shalt thou be in the earth."

And Cain said unto the LORD, "My punishment is greater than I can bear. Behold, thou hast driven me out this day from the face of the earth; and from thy face shall I be hid; and I shall be a fugitive and a vagabond in the earth; and it shall come to pass, that any one that findeth me shall slay me."

And the LORD said unto him, "Not so! Whosoever slayeth Cain, vengeance shall be taken on him sevenfold, for only one man in seven is a vagabond." And the LORD set a mark upon Cain, lest any finding him should kill him.-- *Genesis 4:1-15 EV (Economists' Version).*

The Nephilim

And it came to pass, when men began to multiply on the face of the earth, and daughters were born unto them, that the sons of the serpent saw the daughters of men that they were fair; and they took them wives of all which they chose. And the LORD said, "My spirit shall not always strive with man, for that he also is flesh: yet his days shall be an hundred and twenty years." There were giants in the earth in those days; and also after that, when the sons of the serpent came in unto the daughters of men and they bare children to them, the same became powerful men which were of old, and are yet, men of renown.

Genesis 6:1-4 EV (Economists' Version).

[Ed: Here endeth Lesson 2, but thy shall receiveth more next issue]



SOUTH AFRICAN BREAKTHROUGH

[Ed: Maurice Daniel from Port Elizabeth sends this report]

Two colleagues and I have plugged away since early 1995 to persuade our government that this country's very high levels of unemployment and crime can be brought down only by phasing in tax on land whilst phasing out present tax on workers.

We have now had encouragement by way of letter and phone call from the chief economics advisor to our President. He is Professor Wiseman L. Nkuhlu and, after initial exchanges, he has appointed an assistant – Mr. Vusi Gumede – to set up a meeting with us as soon as he can come here from Pretoria.

Our arguments were well reinforced by copies of the graph from the cover of Progress, Sept-Oct 2001 edition, *[Ed: This was Bryan Kavanagh's special edition, being a poverty enquiry based on Tony O'Brien's research]* and of Winston Churchill's great speech delivered at King's Theatre, Edinburgh on 17 July 1909.

As our government, African National Congress, holds about 60 per cent of seats in Parliament, there is near certainty that they could phase in tax on land whilst phasing out tax of workers and complete the process against opposition which would come from rich vested interests.

MORE ON CORPORATE PLUNDER

From the free email newsletter "Georgist News", comes this report. To subscribe, simply send a request to gn@progress.org

A great untold story of our time is the staggering scope of privatization and abuse of dozens of resources that we

collectively own. The plunder is widespread, affecting public lands, the broadcast airwaves, the Internet, the public domain of knowledge and creativity, publicly funded medicines, and even our genes. As companies quietly seize our common wealth, however, our government often fails to protect us, sometimes actually giving away our common assets.

"Silent Theft" is a fresh and compelling critique of how private markets are eclipsing and "enclosing" the American commons. David Bollier - a journalist, activist and public policy expert - not only documents the serious costs and consequences of runaway market activity, but develops a new language for understanding and reclaiming the commons. For more information on the book, visit www.silenttheft.com

Georgist News Comments: For more on the Georgist perspective on "common assets," be sure to visit the Common Assets Headquarters web site at www.taxpolicy.com/common

NIGERIA TO BE A MODEL?

[Ed: This is a cut-down version of an extremely promising report to the International Union for LVT by the ever-dynamic Alanna Hartzok]

The Niger Delta Fund Initiative holds great potential to launch Georgist economics into visibility in the international arena. It is emerging out of several years of my international work as a UN NGO representative and the correspondence educational work of Lindy Davies at **The Henry George Institute**. It is an opportunity for an international team of Georgist experts to work together with a common goal and focus in a third world nation that is struggling to democratise its structures of governance

The Initiative is posted in summary form as a Partnership Initiative on the **World Summit for Sustainable**

Development website and is already striking chords of interest from other international organizations. The executive director of the UN Volunteers program, based in the Netherlands, recently faxed to me a letter offering the participation of volunteers with experience in Nigeria

The Niger Delta Fund Initiative is also included in another Partnership Initiative for the Summit that is sponsored by several international development networks. ***Successful implementation of the Niger Delta Fund would show the value of using similar resource funds and land value taxation as mechanisms for funding equitable and sustainable development around the world.***

Fortunately, there is to some degree an ethical and practical basis for the Niger Delta Fund Initiative and land value tax policy contained in the official **Nigerian Land Use Act**. *"In determining the amount of the original rent to be fixed for any particular land and the amount of the revised rent to be fixed on any subsequent revision of rent, the Governor shall not take into account consideration of any value due to capital expended upon the land by the same or any previous occupier during his term or terms of occupancy, or any increase in the value of the rental of which is under consideration, due to the employment of such capital."*

It is our intention that the Niger Delta Fund Initiative will bring an international focus on land rights and land rent rights issues for not only Nigeria but the whole of Africa and the world. It will seek the involvement of several UN agencies as well as international NGOs.



SUPREME COURT DECISION ON TAKINGS

The US Supreme Court ruled on April 23 against a group of land owners around Lake Tahoe who had contended that government restrictions placed upon them amounted to a "taking," in constitutional terms, and thus entitled them to monetary compensation.

The New York Times has commented, "In effect, the ruling preserves the status quo across the country, meaning that property owners who are subject to various land-use and zoning regulations are not necessarily eligible for government compensation. Had the ruling gone the other way, the effects could have been seismic."

Of course, our system of land monopoly capitalism confers lots of other windfall benefits and sometimes compensation for loss of market value. On the other hand, our near-arbitrary tax system doesn't allow compensation to those disaffected by increased taxes. Would a better term for our economic madness be "casino capitalism"?

There's a good Georgist website which explores the issue of compensation in depth at www.progress.org/archive/diamant

UNITED NATIONS PROGRAM RECOGNIZES LAND VALUE TAXATION

Alanna Hartzok has won further recognition for land value taxation from the United Nations. Hartzok submitted a case study of the effects of the City of Harrisburg's tax shift. In response, the "Best Practices & Local Leadership Programme of the United Nations Human Settlements Programme, UN-HABITAT" said, among other things:

"Following a recent review of the Best Practices Database, your initiative "Land Value Taxation" was identified as a good

example of a successful initiative that is under consideration for use as a case study in a publication for the World Summit on Sustainable Development -- the ten-year review of the United Nations Conference on Environment and Development held in Rio in 1992.

"We are interested in learning more about your experience and considering it also for the 2002 cycle for the Dubai Awards. We would therefore be grateful if you would send us updates that reflect any new developments as well as photographic material."

The next step? Hartzok is assembling the best material to submit. Do you have reports, lists, charts, photos, that might be of use in documenting recent work in researching and implementing land value taxation? Notify Alanna at earthrts@pa.net

GREEN C.G.O. CONFERENCE

The Council of Georgist Organizations will be having their next conference on in London, Ontario, Canada on August 21-25. Entitled "Economic Justice and the Green Movement", it looks like being a cracker. To quote from their flyer:

"This conference is devoted to understanding and advancing principles of economic justice, with a focus on relationships between sprawl, urban decay, pollution, environmental destruction, trade problems, deepening debt, and poverty. It draws heavily on Henry George's ideas about land tenure and taxation, which have been credited with launching the Progressive Era.

Speakers include leaders from First Nations, Canadian Greens, the Council of Canadians, the Canadian Action Party, local politicians, and land economists. All these groups share a quest for clear principles that can help remedy social ills. This quest lies at the heart of our conference."

Letters Letters

[Ed: What follows is the original text of the letter in *The Brisbane Sunday Telegraph* of 16 June. The words that actually appeared in print are capitalized.]

FOOL'S GOLD

CONTRARY TO THE EUPHORIC TONE OF YOUR lead STORY (9/6), THE PROPERTY BOOM IS NOT HELPING ORDINARY HOME OWNERS.

YOU ALWAYS NEED SOMEWHERE TO LIVE. SO, IF YOU OWN ONLY ONE HOME AT A TIME, WHATEVER YOU GAIN FROM THE HIGHER SALE PRICE OF YOUR OLD HOME IS LOST IN THE HIGHER PURCHASE PRICE OF THE NEW ONE.

In a property slump, what you lose in the lower sale price of the old home is regained in the lower purchase price of the new one. It does not matter if the value of your property falls below the balance owing, provided that you can still make the repayments and that other properties depreciate in line with yours.

THE REAL WINNERS FROM A PROPERTY BOOM ARE THOSE WHO OWN MORE THAN ONE PROPERTY OR WHOSE ONE PROPERTY APPRECIATES MORE THAN AVERAGE. Those whose one property appreciates less than average, or who own no property at all, are losers.

Moreover, a rising property market diverts savings from productive investment into unproductive speculation, destroying jobs and feeding inflation, which forces the Reserve Bank to raise interest rates, destroying more jobs. These effects push ordinary home owners into the ranks of the losers; but the big speculators would like them to believe otherwise.

- Gavin Putland, Brisbane



Letters Letters Letters Letters



MISCHIEVOUS MYTH

From The Adelaide Advertiser (date not known)

The front-page article "Tunnels to prosperity" perpetuates the mischievous myth that house prices have risen since the advent of the Heysen Tunnels.

This is incorrect. It is the land value that has risen and it is not recognising this fact that gives rise to our inequitable local government rating system.

Public-funded roadworks increase land value and benefit land-owning speculators. If local government rated properties on land value only and took the increased value into the public purse, land speculation would cease and works would be easily paid for.

The high price of real estate is not a sign of prosperity but roof of exploitation by land speculators.

- George E. Jukes
President, The Henry George League (SA Division), Norwood, Adelaide.

DISTURBING TRENDS

From the Southern Peninsula Mail, 28/5/02

With all the attention to the Federal Budget, some disturbing trends have been overlooked.

According to a report of the Committee for Economic Development of Australia, for 25-34-year-olds, between 1981 and 1996, the following proportions applied: in full time work, from 77.5 per cent to 59.8 per cent; those regarded as unemployed, from 3.2 per cent to 7.7 per cent; those renting, from 27 per cent to 35 per

cent; those couples with children from 50 per cent to 40 per cent.

Also, one in five young Australians are said to be at risk of "entrenched disadvantage".

According the Land Values Research Group, land price in real terms (i.e. allowing for inflation) between 1987 and 1997 increased by 62 per cent.

In the 20 years the interest on the average household mortgage increased by 108 per cent in real terms from \$51 to \$106 pre week (15 per cent of average household disposable income went on interest alone).

Behind these figures are strained marriages and declining emotional well-being.

Such issues do not seem to have been covered in the recent Federal Budget, nor for that matter, in the State Budget.

- Geoff Forster, McCrae, Vic.

WEALTHY AUSTRALIA? IT MAY BE ALL JUST AN ILLUSION

From The Age, 18/5/02

The Reserve Bank governor continually makes reference to the rise in wealth of Australians that is associated with an increase in house prices. He needs to explain how he reaches this conclusion.

A "wealthy" nation is able to provide its population with access to good and affordable housing. High housing costs relative to incomes can result in many households being excluded from living in preferred areas. High housing costs can also mean low living standards for the 30 per cent of Australian households that live in rented accommodation.

Land values represent a major component in housing values. A rise in the cost of residential land is a zero sum game. In a particular real estate transaction, one party receives more while the other party pays more. Indeed, after transaction costs, the two parties to the transaction may be worse off in an aggregate sense. The nation can also be worse off, as the transaction has produced no goods or service (other than services that facilitate the transaction), while resources may be diverted from productive activities.

The rise in residential land prices in recent years has been largely funded by overseas borrowings. Australia did not have sufficient savings, or wealth, to pay for the rise in land prices. Yet we have to pay back the overseas debt used to bid up the price of our own land. This debt has reduced the credit that would be otherwise available for income-producing activities. When housing prices are rising, households are also less likely to save. This means less business investment, which in turn means less ability to generate wealth in the future.

Inflation associated with rising housing costs can adversely affect households, by reducing the value of their disposable income; and businesses, by reducing their competitiveness with imports and in export markets. If you take a long-term perspective, a rise in residential land prices relative to household incomes does not necessarily increase the nation's wealth. Land is there irrespective of its price.

If the Reserve Bank is right in saying that the housing market is overheated, then there are households that are at this moment spending up on illusory "wealth".

- Nigel Fitzpatrick
Camberwell, Melbourne

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GEOISTS IN HISTORY

Thomas Carlyle (1795 – 1881)

Thomas Carlyle, Scottish essayist and historian, was an influential social critic noted for his concern with the living conditions of British workers. He was educated in divinity at the University of Edinburgh but after five years of study he abandoned the clergy in 1814 and spent the next four years teaching mathematics. Dissatisfied with teaching, Carlyle moved to Edinburgh in 1818, where, after studying law briefly, he became a tutor and wrote articles for the *Edinburgh Encyclopedia*. He also made an intensive study of German literature, publishing a long list of acclaimed literary translations and commentaries. After a trip to Paris and London, he returned to Scotland and wrote for the *Edinburgh Review*, a literary periodical.

In 1826 Carlyle married Jane Baillie Welsh, a writer, then soon began some of his great philosophical satires, when his deep concern for social justice fully emerged.



“While the widow is gathering nettles for her children’s dinner a perfumed seigneur, delicately lounging in the Oeil de Beouf, hath an alchemy whereby he will extract from her the third nettle, and call it rent.”

In 1834 Carlyle moved to London, where he soon became known as the Sage of Chelsea and was a member of a literary circle that included the essayist John Stuart Mill, whose Geoist sympathies must have influenced him. However, Carlyle still held right-wing views which held that a benevolent autocracy as the best protection of freedom. A product of his uncertain times, perhaps?

He continued a broad-ranging career in historical analysis and philosophy in particular, and throughout his lifetime and for most of the 19th century Carlyle enjoyed a reputation as one of the leading thinkers of his age, though he is largely neglected today. His ideas were reflected in many works produced during the Victorian era, and his influence is particularly evident in the writings of Ruskin and the later works of Charles Dickens.

“Who can or who could sell us the earth? Actually the earth belongs to these two: the almighty God and all his children who have ever worked on it or who will ever have to work on it. No generation of men can or could with even the highest solemnity and exertion sell the earth according to any other principle.”