PROGRESS

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There’s no prizes for guessing that real estate interests are the most corrupt in our monstrously-unfair economic system. And why wouldn’t they be? I mean, given that our system of land tenure holds out the possibilities of massive windfall profits (whose source should be, as we know, transformed to become the natural source of public finance), it’s an irresistible enticement. The community’s efforts and tax-funded infrastructure are feeding the goose, and the land speculators and property developers are merrily making off with the golden eggs.

And who’s been in the cot with these guys? Well, politicians have been slutting it big time, as many of us are aware. A nod and a wink (and the inside word as to where land-value-enhancing infrastructure will be extended) to the landed interests, and the favour will be “much appreciated”.

But another bedfellow came to my notice recently. That excellent ABC TV production Media Watch (the type of program that would never be screened on commercial television) did an exposé on the Murdoch group of newspapers. Rupert Murdoch, as we know, is no great friend of editorial independence or quality journalism, but this media mogul has been having a bit of a romp with that same arch-enemy of every Geoist, the real estate sector.

Firstly, Media Watch revealed that a certain Mr. Jennan has been trying to promote a book of his which includes a chapter on how home sellers are squandering money on overpriced and untrustworthy real estate agents. GONG!!! “Sorry, mate” responds the (Murdoch) News Ltd. group, “but we’re not going to let you run your promotional ads in our papers, because it will hurt the interests of the real estate industry” (which has huge advertising deals with News Ltd).

Secondly, it was revealed that Brisbane’s only newspaper, Murdoch’s Courier Mail, refused to carry advertisements from “The Buyers’ Agent”. This is a small outfit which seeks to act on behalf of minor property buyers to secure them the best deal (as opposed to the worst deal, as real estate agents would have it) in a relatively stress-free manner.

Lastly, despite the Murdoch group promoting itself as a means by which websites can make themselves known to the general public, the Brisbane Courier Mail refused to carry ads for a small community website which allows people to bypass real estate agents by allowing Brisbane landlords to post properties for rent on the web.

Because of the media’s incomparable power to influence politicians’ decisions and the public’s sources of information, there’s a clear case for democratically-elected governments to ensure a diverse and unbiased flow of information to the public. Many of us know how the rising tide of Geoist support was killed by a conspiracy of silence 100 years ago (amongst a host of other factors). Henry George had written what still remains to this day one of (if not the) highest-selling popular economics texts of all time. He was, in his day, one of the 3 most well-known Americans. Yet, despite this, there’s now another episode in the history of The Great Cover-Up. The latest edition of Microsoft’s Encarta Encyclopedia (controlled, of course, by that supreme would-be monopolist, Bill Gates) now excludes any mention of Henry George.

No, we’re not living in The Information Age. We’re living in The Media Age.

After hounding Leo Foley to write me a piece, he delivered the goods somethin’ brilliant. I trust you’ll agree that “A Bit of a Punt” is a penetrating and much-needed insight into our winner-take-all society.

The case for the Tobin Tax will stir up a few ossified neurons, I’m sure. So be it! A few older Geoists have not been keeping up to date on the massive speculative profits open to currency speculators, but the enlivened Greens are right on to this. I’ll say it again – The Greens should be the Geoists’ natural allies.

Regular columns and a few short snippets make up the rest of this issue, which is a shame because I’ve sniffed out 3 other excellent pieces. How do we do this, then? Should we extend to 28 or 32 pages? Longer or shorter pieces? More domestic, or overseas? Re-state core Geoism, or break new ground? More serious, or light? Fancier presentation, or back to basics? You tell me at karlwilliams99@hotmail.co

Next submission deadline: 8/10/02
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he world is finite. It is like a house full of people living in different rooms. Each room has slightly different standards of behaviour, but the one thing they all agree in is that the house belongs to the owner. Because this landlord gives nothing in return for his rent, and because there is nowhere else to obtain the rent-money except within the house, those living there must devise ways of obtaining more than they need for themselves, in order to meet their rent. Nut in a finite world, filled to capacity, one man’s surplus is another’s shortfall.

In such a house, only two things can give. Either your neighbours share must be taken, or your own furniture and fittings must be ripped up and sold to the highest bidder, regardless of your future need of them.

What a terrible place to live! An atmosphere heavy with suspicion, mutual distrust and helpless self-interest must pervade this house. The occupants of each room view their neighbours with a jaundiced eye, knowing that to display weakness will invite attack and ruin whilst within each room the whole process is repeated in microcosm, as all vie for a higher, more secure resting place upon a dungheap heaving with fear and misery.

When those at the top of the pile in each room are vilified by their compatriots, they turn and point to their neighbours across the landing, saying, ‘Look! It is their fault! If they bought more of our wonderfully cheap washing machines and stopped flooding our markets with their under-priced spin-dryers we’d all be better off!’ Or else they would cry, ‘If you tightened your belts more and took less wages, we could make our spin-dryers even cheaper than theirs!

We must be more competitive! Identical cries can be heard from every room.

So the hard-pressed room-mates mutter amongst themselves about the price of soap, and curse the dark-skinned families living in the basement, saying, “If they didn’t keep having so many kids, they’d have enough of their own soap and then they wouldn’t be coming up here stealing our jobs by doing the washing up for next to nothing” ...and so it goes.

Meanwhile each week the landlord, who luxuriates in a penthouse suite at the top of the house, sends down his agents to collect the rent. Of course, the full force of the law makes sure any defaulters are punished, and in extreme cases, evicted from the house. After all, nobody can expect to live in his house rent free. But the inhabitants are way too busy struggling with their immediate problems to stop and wonder where all this rent goes, or why they should even be paying it.

They have far, far more important matters to attend to. For here is a new inflation demand from the land-
It seems only yesterday that a ticket in "Tatts", a game of two-up on Anzac Day, and a punt on the Melbourne cup was the extent of most Australians gambling. As we commence the 21st century, the corporate marketers have packaged those mild interests into dangerous obsessions. Gambling machines dominate pubs and clubs, multi-million dollar lottos offer false hopes, while casinos flourish around the country. So, a little punt has become the ‘main chance’. For those who have fallen behind in the past 30 years, despite being told they are so much better off, now look to the gambling outlets as their salvation. It is more than in interest, or entertainment -- it is a desperate attempt to recover what they have lost. Society is now caught up in a wave of gambling, with governments now captive to the taxes extracted from it.

Long-term investment in productive activity is no longer seen as a viable means of building wealth. It is seen as too slow, where returns might be overtaken by inflationary forces, or currency depreciation, before they have become worthwhile.

The same disquiet worries those who might have traditionally invested their money more productively. Long-term investment in productive activity is no longer seen as a viable means of building wealth. It is seen as too slow, where returns might be overtaken by inflationary forces, or currency depreciation, before they have become worthwhile. Or having to endure the ‘dot.com’ investors flaunt their wealth to arouse the envy of all but the most humble. So, ordinary folk look for faster ways to make a return on their money, and, to beat the odds, they seek higher returns. High returns require high risks. Speculation takes over from investment.

Speculation has long been with us, and readers of this journal will be familiar with the folly of land speculation. Each land boom produces more losers than winners as the land price rises above a figure that will allow productive use. The speculators increase demand for land, which becomes priced for future use, not present-day use. This stalls business investment, but the rising land price for residential property leads to increases in interest rates. Rising costs, and falling investment in machinery, farm equipment, steel and major construction, ensures that the economy will grind to a halt. As workers are laid off, consumer spending falls, and the economy falls into recession.

If the land market behaved like other markets, land speculation would not be so bad. Buying up a commodity, to ‘corner’ the market, can work only so far in a freely competitive market. The incentive to ‘corner’ is to increase returns through higher selling prices, but the rising prices encouraging new entrants, thus forcing the price back down. But there can be no increase in the supply of land, or at least of land of the quality required, so the land speculator becomes a monopolist, extracting excess economic rent from users.

Even when the inevitable ‘bust’ follows the boom, land speculators will behave differently to other investors. Some, who are financially stretched, might sell out at lower prices, but those who can afford to ride out the slump will do so. In this way, market for land resembles that of collectables -- paintings, antiques, coins -- which retain their value by virtue of their scarcity. There are no new entrants, so supply-demand price mechanisms do not apply. The price remains high, in accordance with future expectations.

This holding out of useful land from production leads to land wastage and urban sprawl. Developments must skip over the unused land, stretching infrastructure and services beyond viable limits. The lack of services makes the far-flung developments affordable to lower socio-economic groups, so they tend to live there, while more affluent people tend to live closer to the city, where full services are provided. Since that is where most employment is, those living nearby get more opportunities. People living further away suffer time and travelling cost penalties, so tend to remain unemployed, ensuring they will never be able to bridge the divide, and purchase a house in the prime areas.

Thus, land speculation leads to a circular and cumulative condition that exacerbates existing disadvantages. The housing market operates as a "sorting mechanism", separating those that can afford to buy houses in areas with good access to employment opportunities and social facilities from those who cannot. Land speculation produces nothing in an economy, and rewards the inefficient use of land. It holds money out of the economy, which would otherwise be invested in productive activity, and prevents the economy from creating jobs to keep labour fully employed. But, perhaps the worst aspect, and the saddest, is that so many of us are now land speculators. Our society relies on rising land prices to stay afloat. People borrow big and pay huge interest bills in the belief that the capital...
gain will be worth the pain. Those who own their own home increasingly are purchasing second and third rental properties as investments. In 1993, 750,000 Australians were investors in rental housing. The 2001 census figures are due out as this article goes to print, and I confidently predict that the figure will now be over one million. Meanwhile, young Australians without parental financial backing cannot get a start.

A recent television article on “A Current Affair”, on 20 May 2002, outlined tips for purchasing residential property. The tips contain no surprises, advocating to “purchase a property which is close to essential and desirable facilities. That means within walking distance to schools, public transport, shopping areas and leisure and entertainment options such as public parks, cafes and restaurants and cinemas.” The other tips are similarly based on taking advantage of community-provided facilities. But it is not the advice that is galling, but the system that allows the community provided economic rent to be captured by a few privileged individuals.

Increases in land price in Sydney and Melbourne could soon reach the ludicrous situation in London, where the weekly increase in land price exceeds the average wage -- making it absolutely impossible for people to save for a home. The collapse of such a market seems inevitable. Only the public collection of land rent can stop the free ride now received by landowners, and encourage any excess money into productive investments.

Speculation relies on expectations. An asset is purchased, not for its production or earning capacity, but for an expected increase in price due to some change in supply or demand. While an investor seeks to share in the profits of an enterprise, speculators don’t care about dividends or company earnings. They simply speculate about future possibilities in an uncertain world.

But, for all its faults and its ability to wreak havoc in the economy, it may not be land speculation that causes the financial system to collapse. The perceived need for quick returns has brought new meaning to phrases like “the higher the risk, the higher the profit.” Greed has taken over the financial system and stock markets. Greed has always driven the upside of a market, and fear rules the downside. The difference now is that people are afraid, not of companies failing to deliver expected returns, but of missing out if and when they take off. Or if some other company takes off, and they are not ‘on it’. Fear is now married to greed. Ordinary folk, who feel that a crash is coming, face a harsh dilemma -- when to get out! Not wanting to missing out on the gains, they stay in an overextended market, hoping to sell before it’s too late. Worse still, they are doing this on borrowed money. The end will be painful.

Individuals feel the need to risk their savings and assets for fear of falling behind if they don’t. They are led to this belief by the corporate sector who have taken to gambling in derivatives as if it were their core business. General Electric is now the largest private financial institution in the world, slightly in front of the other multinationals, because of their many financial transactions – mostly derivatives. The danger of companies having large exposure to the derivatives market is obvious after the Enron collapse. Enron was a big player in the freight derivatives market, and many shipping companies will go bust as a result of its collapse. But it may be that its influence in the credit derivatives market will cause the greatest losses. Because the deals do not show up in the company's balance sheet, the level of exposure is hard to estimate. Standard & Poors estimated an exposure of $6 billion, but it is likely that the estimate is only a small part of the total. Some banks have declared their losses, but the real worry is those that have not. It seems they do not want the bad publicity of admitting really big losses, so they say nothing.

Derivatives (futures trading) originally sought to reduce the risk of bringing crops to market, or fluctuations in exchange rates. They were based on the value of an underlying asset, representing a claim on wealth to be produced in the economy. The contract was made to buy or sell goods at some future date, at a previously negotiated price. It was expected that the goods would actually change hands.

Options were being introduced, and there was no expectation that goods would actually change hands. The contract is purely speculation on what price might become. The goods do not matter. Total wipeouts of crops or industry can reap huge profits if the option buyer has predicted the fall. When the real money is made through speculation, rather than production, it is only a short step to gambling on indexes (a basket of stocks or commodities, or whatever). There is no longer a pretence of assisting a productive firm against a poor yield, but simply a side bet on how the index will move. Fortunes are made and lost, without any real wealth being created. This is obviously unsustain-
able. A financial merry-go-round is not a proper substitute for real economic activity. Taking future profits now means paying interest on finance, which becomes a burden on the economy into the future.

The sums are staggering. They are too large to comprehend. In 2000, derivatives increased from $300 trillion to $400 trillion, but because trades are short-term, the turnover is probably over a quadrillion dollars per year (whatever that might be!!) I cannot comprehend one trillion, much less a quadrillion. But we can no longer believe balance sheets. Derivatives are not shown there. Bankers Trust, when the US government took it over in 1994, had a derivatives portfolio of $1982 billion -- against assets of only $97 billion and net equity of just $4 billion. Money that should be made available for infrastructure, education and other public services is being sucked into a financial bubble that has no productive reason to exist. The banking system has been taken over by the parasite, in the same way that fleas infest a dog, but the difference is that a 100 kg flea will suck even a big dog dry. What does it do when its host dies?

The physical economy, the production of real goods and services, has been left behind. In 1998, production of farm equipment in the US fell 25 percent; machine tools fell by 39 percent, and steel production fell by 15 percent. The real economy is going backwards, leading to massive unemployment worldwide. Official figures record that 30 million people are unemployed in the West, but unofficial estimates are twice that high. We are in deep trouble.

But what can be done? Foreign exchange transactions based on the real economy are now only 2% of all transactions. 98% are speculative! The annual GDP of the USA is turned over via currency trading every 3 days! It is obvious that some deterrent is required to reduce the speculation. I will now broach a topic that may well be contentious in Georgist ranks. Without necessarily endorsing the "Tobin Tax", it seems that a transaction tax of some kind is necessary to save the financial system from collapse. James Tobin proposed a tax on foreign exchange transactions way back in 1978. There have been many variants proposed since. The basic element is to deter short-term transactions -- that is, those that exist only for a week or two.

In my view, the consequences of doing nothing are too disastrous to contemplate, so I agree with the principle. Tax short-term trades. The detail of how to do that, and at what level, I leave open to debate. There will be a solution that returns the real physical economy to pre-eminence. But it must be done soon. Financial speculation must be curbed, before more countries suffer currency crises, with the associated negative social impacts.

The revenue raised from the tax, and there will be substantial revenue from trades where the risk is seen as worthwhile, can be used for development programs for developing countries. It may well create a model for the redistribution of other global public goods. Derivatives and currency speculation are the challenges of the 21st century. It is a quantum leap from betting on the Melbourne Cup to betting on our very future, but that’s what has happened in a generation. Is there a Henry George amongst us who can define our position?

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**GIGGLES & GROANS**

A big, burly man visited his pastor's home and asked to see the minister's wife, a woman well known for her charitable impulses.

"Madam," he said in a broken voice, "I wish to draw your attention to the terrible plight of a poor family in this district. The father of the family is dead, the mother is too ill to work, and the nine children are starving. They are about to be turned into the cold, empty streets unless someone pays their rent, which amounts to $400."

"How terrible!" exclaimed the preacher's wife. "May I ask who you are?"

They sympathetic visitor applied his handkerchief to his eyes. "I'm the landlord," he sobbed.

Q: Did you hear of the economist who dove into his swimming pool and broke his neck?

A: He forgot to seasonally adjust his pool.

An neoclassical economist is someone who knows the price of everything and the value of nothing.

Neoclassical economists have forecasted 9 out of the last 5 recessions.

There are two things you are better off not watching in the making: sausages and econometric estimates.
REMAINING U.S. CEOS MAKE A BREAK FOR IT

[Ed: In the wake of the revelations about the kleptocracy running Enron, WorldCom and the like, this satirical piece circulated around the web, penned by a guy named Alan Griffiths]

El Paso, Texas (SatireWire.com) Unwilling to wait for their eventual indictments, the 10,000 remaining CEOs of public U.S. companies made a break for it yesterday, heading for the Mexican border, plundering towns and villages along the way, and writing the entire rampage off as a marketing expense.

"They came into my home, made me pay for my own TV, then double-booked the revenues," said Rachel Sanchez of Las Cruces, just north of El Paso. "Right in front of my daughters."

Calling themselves the CEOOnistas, the chief executives were first spotted last night along the Rio Grande River near Quemado, where they bought each of the town's 320 residents by borrowing against pension fund gains. By late this morning, the CEOOnistas had arbitrarily inflated Quemado's population to 960, and declared a 200 percent profit for the fiscal second quarter.

This morning, the outlaws bought the city of Waco, transferred its underperforming areas to a private partnership, and sent a bill to California for $4.5 billion.

Law enforcement officials and disgruntled shareholders riding posse were noticeably frustrated.

"First of all, they're very hard to find because they always stand behind their numbers, and the numbers keep shifting," said posse spokesman Dean Levitt. "And every time we yell 'Stop in the name of the shareholders!', they refer us to investor relations. I've been on the phone all damn morning."

"YOU'LL NEVER AUDIT ME ALIVE!"

The pursuers said they have had some success, however, by preying on a common executive weakness. "Last night we caught about 24 of them by disguising one of our female officers as a CNBC anchor," said U.S. Border Patrol spokesperson Janet Lewis. "It was like moths to a flame."

**ooOOoo**

LAND VALUE MAPS IN ACTION

[Ed: If any newcomers have any doubts about the easy and practicality of implementing Geoism, this piece should reassure you. It's an adaptation of a report by Connie Spinoso in the UK's "Land and Liberty", Spring 2002. And what about the miniscule tax compliance and collection costs?!

I was hired 18 months ago by the Valuer-General Victoria (VGV), the local government agency which values land in Victoria. My job as spatial information analyst is to train valuers in the use of land value maps, which I am developing for the whole of Victoria.

These computerised maps will revolutionise the way land is valued. Valuers, politicians and tax administrators will all be able to see graphically how much the land across the area is worth. They will be able to plan for the future with a much clearer idea of the economic consequences of development.

The value maps will not only show how land was developed in the past and how values changed as a result, but should also give a model for how certain kinds of development will affect land values in the future.

As a result of a VGV strategy formed two years ago, all valuers working for the state are doing computer-assisted valuations. These allow us to use Geographic Information Systems (GIS) in value maps, meaning the land itself can be valued independently of the building on it.

This is needed for levying the land value tax, which counts for A$500 million from 300,000 mainly large commercial properties, although only three out of the 78 municipalities actually tax the land independently of the buildings.

The adoption of GIS is the linchpin to being able to use land value maps, as it is these systems that allow land to be tied to the theoretical value depicted on a land value map. The VGV itself tackled the adoption of GIS head on by launching a project last May to help 14 rural councils improve their digital map base.

This requires educating the valuers and council staff in the use of GIS, not only in collecting the data so that it can be used properly, but also in understanding and manipulating the system.

**ooOOoo**

“All that needs to be done is to take for the community that which properly belongs to the community—namely, the rental value of land, and leave sacredly to each individual that which represents labour’s proper share of the wealth it produces.” - Clyde Cameron
Now before any medieval Georgists begin a frenzied preparation to have me, an apparent tax heretic, burnt at the stake, I ask to be heard. For I admit that the Tobin Tax (TT) has disadvantages (in the way that all taxes have), but I hope that you’ll see that, on balance, they are clearly outweighed by its advantages.

Here’s how I’ll lay out my case. After a brief description of the TT and its history, I’ll attempt to establish its three main advantages, namely:

- it will stabilise increasingly volatile currency markets
- it will - quite painlessly by the standards of most taxes - raise massive revenue urgently needed for a range of worthy causes
- it will largely end the massive speculative profits UNearned by foreign currency speculators at the moment. This is legalised robbery – and we are the unwitting bunnies!

After that, I’ll rebut the objections to the TT.

BACKGROUND AND DESCRIPTION

It was in 1978 when (the now recently-deceased) James Tobin, a Nobel prize-winning economist, proposed a relatively small tax on cross-border currency transactions. This aimed to curb the accelerating incidence of speculative dealings which were leading to volatile exchange rates and economic instability. Wildly fluctuating and unpredictable rates play havoc with businesses dependent on foreign exchange. It’s not hard to see, then, how the tax was designed to enhance global fiscal stability and market efficiency.

Because speculators deal in high volumes relying on very small margins, a tax of around 0.2% was reckoned to be sufficient to make such activities unprofitable. However, such a margin would not greatly deter genuine commerce - a margin of this size is less than the exchange rate differential banks have when selling currencies (i.e. the difference between the buying and selling rates ordinarily available).

The need is far more urgent now than at the time of proposal. Cross-border currency transactions have increased 70 to 80 times in the last 30 years, with purely speculative dealing comprising around 95% of this total. A staggering US$1.5 to 2 trillion is traded every day.

The explosion of foreign exchange trading has coincided with a string of spectacular currency crises: first in Europe during the summers of 1992 and 1993, next in Mexico at the end of 1994, then in Southeast Asia during the summer of 1997, followed by Russia during the summer of 1998, and most recently in Brazil in January 1999.

These crises are felt far beyond the borders of those currencies which have been devastated - such financial crises can have enormous impact worldwide. For example, the Asian currency crisis lowered the world growth projection for 1998 by one percent and increased worldwide unemployment by 10 million.

VOLATILE CURRENCY MARKETS

As one can easily imagine, the massive volume of speculative transactions has swamped the ability of central banks to manage the wild swings in exchange rates as profit-seekers shove their frenzied snouts from one trough to another.

These speculative attacks lead to incalculable downline human costs – and it’s vulnerable Third World economies which have suffered the most. When a currency is devalued, the purchasing power of citizens plummet, food and other basic items become too expensive, the environment is less protected, and jobs are lost.

The problems of instability are exacerbated by the self-fulfilling nature of the current situation. When speculators gamble on the likelihood of an imminent devaluation and sell a currency, this action itself lowers the asking price of that currency in the market and increases the likelihood of devaluation, precipitating the crisis that was feared. Exchange rate depre-
cation gives rise to further outflows, as panic sets in among international investors. Even if a small number of speculators take the lead, this may produce herd behaviour on the part of other investors. And in times of crisis, the more bets there are the bigger the swings. When a currency is under speculative attack, the force is often irresistible.

To make matters even worse, the big players in this game are now so big that they can themselves manipulate the market to their advantage. Of course, it’s in their interests to have privileged access to future government decisions – and even to influence those decisions. George Soros, who made himself a multi-billionaire in this racket, has recently astonished the financial world by openly declaring the practices he performed to be so unfair that they should be outlawed!

We’ll discuss later the mechanics of these practices in further depth, as many people are under the impres-
sion that currency speculators are harmlessly gambling amongst themselves. Were that only the case!

**REVENUE, PAINLESSLY RAISED**

The second main advantage of the TT is the vast revenue that could be raised for many urgently-needed purposes. Importantly, according to the canons of taxation which we Geoists understand so well, the TT is one of the least objectionable.

For starters, the margin of around 0.2% is so small that it will have minimal effect on genuine, long-term, non-speculative transactions. What it will deter, however, is a significant proportion (around 80%, by some guesstimates) of speculative dealings – and this is just what is desired.

The TT pay-off will be massive, and this alone is why so many international aid agencies and environmental groups are calling for its implementation. Of course, the greater the deterrent effect, the less revenue will be raised. Even still, based on an estimate of about 83% of transactions being deterred by a TT of 0.2%, the revenue raised will still be a massive US$150 billion per year – far in excess of present world aid which totals a mere US$55 billion.

Inevitable disagreements will arise as to how this amount should be spent, but this is a problem with which the world can happily deal! Here are just a few of the proposals, all of which would put the revenue raised to very good use:

- the addressing of environmental problems such as global climate change, loss of biodiversity, erosion of the ozone layer, and the funding of sustainable energy projects
- overpopulation
- HIV/AIDS
- disaster relief (for victims of earthquakes, cyclones, floods, famines etc.)

**ETHICAL JUSTIFICATION FOR THE TT**

When some Geoists protest about the immorality of taxation such as the TT, they are effectively turning a blind eye to the outrageous theft represented by speculative profits on currency transactions. We should be appreciating the big picture and deciding, on balance, which course of action is least objectionable.

It must be emphasised that the TT will only require a miniscule 0.2% margin to deter much of the currency speculation, while preventing massive unearned profits being made. These speculators neither create wealth nor perform any useful service – far to the contrary!

I’m a dyed-in-the-wool Geoist who condemns as loudly as anyone the immorality of taxes which confiscate the property of the citizenry. However, I see that the relatively small tax margin that undeterred currency traders will pay is a small price to pay to prevent the greater evil of what is the legalised robbery of massive speculative profits.

Currency speculators reap where they do not sow, getting something for nothing. The corollary of this is that someone, somewhere, somehow is getting nothing for something. But who is losing out? One cannot over-emphasise the fact that speculators are presently not just gambling
Amongst themselves, but are pilfering from the citizenry in general, who are mostly unaware of how they’ve unwittingly been fleeced.

If speculators were only betting against each other, there would be a rapid shake-out until only a few would be standing. But because speculators are now so powerful as to be able to themselves manipulate exchange rates, central bank intervention is now outgunned.

**When a currency is under speculative attack, the force is often irresistible**

Here we must examine the role of central/reserve banks in attempting to maintain currency stability. To that end, their role has often been to intervene in times of exchange rate volatility to either stabilise or prop up their currencies in time of speculative attacks. They attempt to prop up a currency by aiming to break the cycle of infectious herd selling by going against the trend and selling some of their international reserves to buy their own currency. Later the banks will replenish their reserves by selling their own currencies. If they have “stopped the rot”, then the banks will buy back their foreign reserves at around the same exchange rate and therefore won’t have lost on the deal. However it’s too often the case, especially nowadays when the central banks are so dwarfed by the speculators, that the downward slide has continued. In other words, the central banks far too often are outgunned (or outwitted), and lose vast amounts in this exercise.

Why explain this mechanism? To illustrate how WE THE TAXPAYERS are the downline bun-nies who enrich the speculators, through funding the central banks from general revenue. In March this year, it came to light how the Australian Reserve Bank has recently lost around A$5 billion of taxpayers’ money. Some of this has been the result of unnecessary gambling in currency swaps, but much of it resulted from the steady decline of the Aussie dollar despite the Bank’s intervention.

Nor is the rot of ripping off central banks a game that’s open to anybody. Only the big boys have the funds to play it properly, and only they have access to almost negligible exchange rate differentials which ordinarily would make their high-volume/small-margin trading unprofitable. To a lesser extent, businesses, individuals with share market investments, and institutional investors (who act on behalf of superannuation funds) are similarly outgunned and short changed.

So, to return to the third main justification for the TT – it will largely prevent currency traders from continuing to milk most of their ill-acquired gains. These parasites, who produce absolutely no wealth, can rip off in a matter of an hours orders of magnitude more than an ordinary, hard-working person can possibly hope to save in a lifetime. So, any Georgist who protests at the immorality of the TT (because it’s a tax) needs to have his other eye prised open!

**DEALING WITH OBJECTIONS**

“**IT’S SIMPLISTIC!**”

As I discovered during a recent debate on the TT, many objections or reservations about it are based on very scanty information. Just as our own proposals for Land Value Taxation are often misrepresented as a simplistic “Single Tax”, so too is the TT.

The TT has been considerably developed and enhanced since its original proposal, and – given the chance of being implemented – would undoubtedly be further improved. This is not the place to elaborate, except to mention the important augmentation proposed in 1996 by the German economist and IMF consultant, Paul Spahn, who made the case for a two-tiered tax.

A minimal tax rate would apply on all transactions, and a higher rate would be activated at times of market turbulence, to calm greater market volatility. Under this scheme, an exchange rate would be allowed to move freely within a band, but overshooting the band would result in a tax on the discrepancy between the market exchange rate and the closest margin of the band. Exchange rates would thus be kept within a target range through taxation rather than central bank intervention (and consequent depletion of international reserves).

The two-tiered system would thus function as an automatic circuit-breaker whenever speculative attacks against currencies occurred (if they occurred at all under this regime). The two taxes would thus be fully integrated, with the former constituting the operational and computational vehicle for the latter. Unlike the original proposal, which would indiscriminately tax all transactions at the “wrong end” and therefore penalize normal liquidity trading, the exchange surcharge would apply much more heavily on transactions at the “speculative end” and would not affect normal trading.

It should be added that the TT’s purpose is to allow the smooth adjustment of exchange rates to economic fundamentals, not to restore an ailing economy to health. The TT would not be able to prevent speculative trading triggered by sudden fears of payment defaults or political crises –

Electronic dealers - the inside word, a few taps on the keyboard, and an instant fortune is transferred to their accounts ..... but who’s paying for it?
nor would this be desirable. In other words, the TT would do little to extend the lives of unsustainable currency regimes and will not stop attacks on currencies that are significantly overvalued.

"IT'S UNWORKABLE!"

There are a number of somewhat valid concerns here. Firstly is the issue of whether the TT would work if there wasn’t global cooperation to implement and enforce its collection.

To make matters even worse, the big players in this game are now so big that they can themselves manipulate the market to their advantage

Well, global cooperation could be brought about in a number of ways and, even if it couldn’t, a localised version of the TT would still operate effectively.

Tobin himself argued that cooperation might be enforced by allowing national governments to keep some of the tax revenue – a big sweetener like this would go a long way to inducing governments. One only has to reflect on how easily our state governments have been bribed into accepting a take of the socially-destructive new forms of legal gambling profits to see how they could cooperate with the TT.

In any case, agreement amongst just a few of the major financial powers could bring about implementation, as the UK and USA account for 50% of all transactions and the top 9 nations answer for 82%.

Furthermore, a plan has been proposed which would see Europe (where a large measure of support for the TT is rapidly growing) capable of going it alone. In this case, the TT will not be applied directly to the currency trading itself (i.e. the exchange of euro against, say, dollar), but when national currency is remitted to a foreign country. The purchase tax thus becomes an exit tax. By this means, we see that:

- there are no insuperable technical problems
- it has the same effect as a direct taxation of currency trading
- it affects foreign payments and direct investments in the same way as the TT
- it is an effective means to prevent the circumvention of the TT by transferring national currency to an account abroad

Such a situation would, in practice, make it unprofitable for “scalpers” to avoid the TT by dealing in euros abroad. It would be necessary for scalpers to keep large amounts of quickly liquidatable (thus low paying) euros in foreign countries in order to use them when convenient for the purpose of speculation, and the cost of this would exceed the low TT rate.

Practical proposals include the use of designated settlement sites for collection of the TT, and the use of increasingly sophisticated electronic tracking mechanisms which have kept pace with the financial engineering of derivative instruments, to apply the TT to forward, futures, and swap transactions in addition to spot transactions.

To oversee these arrangements, an international agreement to impose a tax regime could be generated by a ratified convention that is renewed regularly. The international agreement could be coordinated and supervised by the IMF. That or another (or new) international organisation could be authorised to draft a tax code, to amend and interpret the code and to collect the taxes for stipulated international programs. The IMF, with expertise in "maintaining interest rate stability and orderly exchange arrangements among its members" might be the most appropriate institution for implementing the tax.

Finally, there’s another argument a couple of Georgists have feebly offered against TT. They tell me that Fred Foldvary has fully rebutted the TT in a lengthy article, but when I’ve asked them to explain Fred’s argument in their own words they remain speechless and just assert that Fred has done it for them and I should just read what Fred has written. Well, I’ll tell you why they can’t articulate Fred’s rebuttal themselves – because Fred’s articulate is incomprehensible gobbledygook! I defy anyone to read and make sense out of it – I’ll email this article to anyone who requests it.

CONCLUSION

I trust you’ve been able to appreciate the 3 main advantages of the TT enough to agree that they outweigh its drawbacks, real and imagined. I’m still the same fervent advocate of Henry George’s proposals while at the same time strongly advocating the TT. I believe our movement is should not be preoccupied with and hung up on land, but should move ahead with developments (or degeneration, as the case may be) in economic conditions. The land problem will remain with us for as long as the Law of Gravity holds, but we must also be on the lookout for all forms of privilege. If Henry George took incarnation today as the second Dalai Henry, I reckon he’d be on the podium and thumping his fist for the urgent implementation of the TT.

Certainly old Henry would identify with the motives of most of today’s advocates of the TT – basically, most of the Good Guys in the social justice, environmental, progressive liberal and Third World Aid movement. The opponents of the TT are basically the big speculators, various plutocrats, the lunar-right International Chamber of Commerce, the IMF, WTO and World Bank. Need I say more?

**oo0oo**
It was published in 1998, but its insights are just as relevant today – “The Losses of Nations”, edited by Fred Harrison, and published by Othila, London. Here are some of the highlights.

Harrison’s own contribution includes some powerful exposures of the weaknesses of current economic theory. On pp. 39-40 there is a superb summary of the failures of Marxism, Keynesianism, Samuelson, Friedman (as shown up in the policies of Reagan and Thatcher) and globalisation.

On p. 54 there are some searching questions. For instance: “Why do governments spend fortunes compiling data on the price of cabbages when they are reluctant to offer comprehensive information on the flow of rent in the land market?”

There are pungent comments on prevalent socio-economic failures (p. 55). For instance: “We have to come to terms with the unsavoury realisation that governments, through their tax codes, have systematically discriminated against millions of citizens who believe that they are equally treated before the law.”

In a chapter by Nicolaus Tidemann and Florenz Plassman, it is estimated that the G7 economies have levels of output that are only 52% to 77% of what they could have been if they had followed Geoist policies. The basis for these estimates is clearly set out. (Percentages are USA, 77; Canada 64; France, 52; Germany, 54; Italy, 53; Japan, 58; UK, 55).

Interestingly, public finance economists have been using the terms “excess burden” of taxation, or “deadweight loss” of taxation; one wonders why such concepts do not appear more often in public discussions.

There is also a fascination chapter by Mason Gaffney and Richard Noyes comparing the tax policies of certain states of USA. They found that the greater the proportion of local property taxes in the local /state tax mix, the higher the per capita income. They go on to speculate how much more striking the result would have been if the property taxes were based on site values only, instead of only partially as at present.

This study is a worthy successor to those of Steven Cord on the “two tax” policy operating in certain US cities, and for that matter to those of Australia’s own Land Values Research Group – all providing solid empirical support for Geoist policies.

A copy of “The Losses of Nations” is available in the Hardware Lane library.

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The GST “roll-back” was political euphemism for “cop-out”, a squabble over omitting a few items while retaining the bulk of the defective system intact.

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QUOTES OF NOTE

The paramount rule of taxation is “plucking the goose so as to obtain the maximum amount of feathers with the least amount of hissing.”
– Jean Baptiste Colbert (1619-1683), French statesman

The golden rule of government is that “gold rules.”
– A government that robs Peter to pay Paul can always rely on the support of Paul.”
– G. B. Shaw

“Land is a taboo topic. Governments subsidise landowners out of the pockets of people who work and save.”
– Fred Harrison

“Only the little people pay taxes.”
– US property millionairess Leona Helmsley

When Michael Faraday was asked by the prime minister what use his discoveries in electromagnetism were, he is reported as replying “I have no idea, but in 10 years you will be taxing it.”

C ontinuing our visits to far-flung Geoist bodies, it’s a pleasure to say G’day to the US-based Geonomy Society.

Jeff Smith is the dynamo of this organisation, and I’ll let him explain its basic principles:

“Geonomics is – the annoying habit of seeing the hand of land in almost all transactions. In geonomics we maintain the distinction between the items bearing exchange value that come into being via human effort – wealth – and those that don’t – land. Keeping this distinction in the forefront makes it obvious that speculating in land drives sprawl, that hoarding land retards Third World development, that borrowing to buy land plus buildings engorges banks, that much so-called “interest” is quasirent, that the cost of land inflates faster than the price of produced goods and services, that over half of [U.S.A.] corporate profit is from real estate. Summing up these analyses, geonomists offer a Grand Unifying Theory, that the flow of rent pulls all other indicators in its wake.”

Jeff (whom we met in a recent issue) produces its quarterly newsletter The Geonomist, a very engaging 12-page quarterly which describes itself as “News from around the world on taxes, fees, subsidies, rent-shares, and other green rights”.

Their website is certainly worth a look: www.progress.org/geonomy and you can correspond with Jeff at geonomist@juno.com, who’ll pass on the range of subscription and membership details. If you simply wish to check out The Geonomist, we have them available (along with many other magazines) at Prosper’s Hardware Lane premises.

As Jeff’s slogan says, Secure Earnings, Share Earth
The reasons for the spread of the Georgist movement in Korea

Their Christianity wasn't my bag, but their dedication and idealism sure was. These were the extremely charming classmates I met in Seoul who meet on a weeknight each week to discuss a prepared chantey from a Georgist text.

From Our Correspondent in Korea

The reasons for the spread of the Georgist movement in Korea

Answer: In South Korea, the HGAK have regular meetings every week in each locality. Our meetings consists of 3 parts: one is friendship, another is intercession, and the third is study. The most conspicuous feature of our meeting is that our meeting makes it a rule to be guided by the Holy Spirit. It is because the originator of our movement in Korea is the [American Anglican] Reverend Archer Torrey, who is now 85 years old [Ed: and who died in late July]. He is eager to proclaim the message of land equity at almost all the seminars. We know that this religious feature could be a foil to the movement, for the non-Christians would not attend our movement. Someday soon we should prepare another format to invite non-Christian activists.

Another thing I should say is that at study time, one person presents a summary (or an abstract) from the book we are studying, and then we discuss about the summary, and make a question to each other, concerning to the summary. Through the meeting, we can satisfy the need for spirituality and intelligence.

Q: How have you managed to spread the knowledge of Henry George?
A: Our most significant characteristic is a religious feature. Our steps to spread the knowledge of Henry George are:
• firstly, through the church (both priests and lay persons). There are some trained lecturers to spread the knowledge of Henry George at churches. And every year we have a Land School for interested HGAK meetings. Young person who are Christians and have heart of justice attend the meeting, where we teach them more details.

Q: Have you had any success in influencing politics in South Korea?
A: We have had some success. Although it is not very influential, we had some economic seminars at a subcommission at Congress.

Q: Do you think your Christian perspective helps in the internal politics of your Georgist organisations?
A: Until now, there isn't a trouble between Christian member and nonchristian member mainly because we have few nonchristian members. Ironically there were big troubles between Christians, which are now becoming continuous.

Q: Besides the HGAK, what other Georgist bodies do you have?
A: Our party want to bring justice to the education field, and build about 5 million rental apartments for the poor. We now build the party and it is so difficult – but we will win in 2020!
In 1947 at 18, the year after leaving school, I was unbelievably dragooned into going to a World Scout Jamboree in France. From the market gardens of Taita just this side of the black stump out of Wellington in the Antipodes, to Paris and then the U.K., centre of the recent global conflict, the land of my forebears and the substance of our schooling. An overseas experience that in those days was rare indeed and divorced us from our parochial contemporaries.

With that introduction to the big wide world, what does a 20 year old do with his life? Assiduous study of Christian doctrine might give a steer. But what about where the rubber hits the road? A socialist P.M.’s sophistry that socialism was Christianity in action - from each according to his need (provided the P.M. was the Commissar and notwithstanding his knowledge of George I later learned) - was just too facile, and electorally being contested about that time. With the family experience of the Depression and war, social issues were often discussed.

Seeing the first cat. During that wilderness time that I still cherish, I replied to a 3 line ad in the newspaper, “Free Course in Economics. Reply Henry George School of Social Science”. (Run by Betty Noble in a room at the YMCA). With the generous availability of my brother’s aged jalopy, I travelled the 15 miles to Wellington, often under a jet of steam from the overheating motor, to attend the classes. I read the chapters week by week and casually considered the questions assigned. Came - “The Remedy”. One didn’t have to be an Einstein to see its significance and to be riveted to the rest of the book. Then followed the Free Trade and Advanced Courses, and the rest of George’s books. This led to helping Betty promote the classes, and to joining Rolland O’Regan’s committee promoting post-war rating polls, with desultory success, and distributing up to 8000 Rating Bulletins to counsellors mainly, discussing topical rating issues.

Eventually, I landed a job in the Government Valuation Department reconstructing post-war Valuation Rolls for rating and land tax purposes. That was instructive. However, I later returned to the commercial world, studied accounting, bought a mortgage and somehow raised two lovely kids with the wife I had met in somehow raised two lovely kids with the wife I had met in the Valuation Department and who had since become the Associate to a Supreme Court Judge.

In 1977 I contested the local Mayoralty on the issue of Differential Rating. Fortuitously I lost, but as runner-up my judgment had been vindicated and my involvement in irrelevant minutiae avoided. I had learned more about Differential Rating, and of those outside the movement who want to see Land Value Rating work rather than be sidelined as impracticable.

By 1986 Land Value Rating had been adopted by poll by 90% of all municipalities and accounted for about 80% of Local Government revenue. The dissident areas still on Capital Value were Auckland, Lower Hutt, Queenstown and a few rural counties where a dairy factory absorbed a large portion of the rates. At that time we reckoned that land price would be half as dear again without the charges then in place.* And that with tax-deductibility and devolution of some functions to local government, incurring heavier land value charges, there would be a re-incidence of revenue raising - a bloodless revolution, as envisaged by George!

Within three years the New Right Labour Govt. had deviously reduced the impact of L.V. Rating by half, and abolished the Land Tax.*

Seeing the second cat. By about 1995 the New Right National (Cons) Government was continuing the assault - on the infrastructure, central and local. The Labour Government had already sold Telecom and NZ Rail. Fishing quota had been gratuitously alienated in 1986 after a Resource Rental had been considered and rejected “because there was no comparable model on land”! The new government now required the corporatisation of electricity, some public transport, water, waste water (with a view to privatisation), “required political and subjective judgment” of local Councils on rating issues (a constitutional travesty), and planned to privatise the roads.

One didn’t have to be an Einstein to see its significance and to be riveted to the rest of the book.
By this time the much-lauded New Right experiment was no longer ac-
ceptable. The government changed to a so-called Centre Left. But the
damage is unresolved and likely to remain so by the regulatory regimes
in process.

This new focus and equivocation about the alienation of public property built up out of taxes - the 20th Century equivalent of the “Enclosure of the Commons”, demanded a Georgist answer. L.V.T. was clearly irrelevant terminology. The only practicable way to distinguish ownership rights from the operation was the normal commercial arrangement of a lease - whether for cars, trucks, houses or pasture. This establishes the rights and responsibilities of both parties and in fact is already modeled in our Public Bodies Leases Act for land. A lease also allows environmental constraints as terms of the lease, significantly!

So was launched Resource Rentals for Revenue in 1997. I had introduced the idea in my paper at the 1993 Conference in Melbourne, and again in my NZ Chapter for “L.V.T. Around the World” - (Ed. Dr R.V. Andelson). Right now the proprietorship of the whole country under the Treaty of Waitangi is coming to the boil in this election year*. My paper at Melbourne was titled “NZ - Crucible for the world”. The record supports that view.

Seeing the 3rd cat. About 1995 we sustained a multitude of Asian immigrants with their money, mainly in Auckland. Property prices soared unrealistically. Humble homeowners on the traditional ¼ acre urban site could suddenly cash in on $100,000 by subdividing for infill housing.

These sudden realised unearned gains were recognised by even the Reserve Bank as inflationary – i.e. too much money chasing too few goods*.

This led to the insight that an economic rent payable annually to the state is simply a diversion of current production. But a capitalised, speculative land price gives a purchasing power now, on the limited current production of goods and services, so is thus inflationary. Future money but only present production. A large proportion of the proceeds goes back into the system, fuelling the pernicious cycle.

The property price escalation was exacerbated by the corporatisation of electric power boards and the issue of shares to consumers at $3, who immediately sold them for $5, $8, $13 - “a billion $ of wealth released into the community” - (as the media described it) And so it went on all over the country - revalued assets, takeovers, mergers, buyout, the tradable rights to a natural monopoly.

A Resource Rental for land and other natural monopolies eliminates this enormous incestuous, inflationary hazard - the fiscal aspect of George’s economic analysis.

Seeing the 4th cat. The question remained - how to do it?
- with compensation?
- all at once, in the sweet bye and bye?
- now, and progressively? But how?
Past experience was no omen for success.

Most investments are expected to show a positive net return, and pay tax. But 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 or set-off now to finance 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.

The same mechanism now being abused to destroy society can be used to build it*.

Set-off shows the charge as a valid and fair alternative - not just another tax, vulnerable to every tax collector, at every level, every year and avoids the need for compensation.

Set-off is the alchemy by which George’s vision should be implemented now and progressively.

So having “seen the cat”, found the Holy Grail and seen some new aspects of it, I now look forward to promoting a comprehensive, relevant resolution of humanity’s relationship with the earth, its resources and natural monopolies.

* More fully discussed in separate papers on this and other topics, available at: takasec@xtra.co.nz

**ooOOoo**
STAR RIGHTS FOR ALL!

You may recall the Progress editorial of July 2001 in which I argued the merits of the Dark Night Society, seeing it as fighting for the protection of one more part (the really big part!) of the Global Commons. Well, from the latest Green magazine, comes this encouraging report.

“Starry nights in Prague are on the up. The Czech Republic has become the first nation to outlaw excessive outdoor light. From June 1, all outdoor light fixtures in the country must, by law, be shielded so that light goes only in the direction intended, and not above the horizontal.

Light from street and road signs bounces off molecules in the atmosphere making skies, especially over cities, less dark – a particular problem for astronomers. Even low levels of man-made light from distant cities can obscure their view of faint objects far away in space.

Czech astronomers who lobbied for the legislation are delighted, but everyone should benefit from the new law, they say. Non-polluting light fixtures save wasted energy and reduce bothersome glare on roads and in residential areas.”

[Ed, again: And let’s not forget about the hassles of poorly-positioned security lights and stadium lighting – not just to humans, but to disturbed nocturnal animals and (fried) moths]

L.V.T. DEBATED IN SEOUL MAYORAL ELECTION

Kim Yoon-Sang in S. Korea sends this report:

South Korea had nation-wide local elections on June 13th. Land Value Taxation (LVT) was debated among the Seoul mayoral candidates on national TV. A candidate for Mayor of Seoul, Won Yong-Soo, head of Socialist Party of Korea, adopted LVT as one of his key campaign pledges. The party announced, “LVT should be introduced immediately. We believe that LVT is the powerful policy measure for desirable land use, social welfare, environment and ecological preservation.”

It’s the first time ever in South Korea that LVT was mentioned by any candidates in any elections. Korean Georgists are happy with the issue publicized, while worrying at the same time that LVT could be misunderstood as a socialist policy. The Socialist candidate Mr. Won, won less than 1% of valid ballots in Seoul and the Socialist Party won about 1.5% nationally.

MAYOR OF LONDON BACKS CONGESTION CHARGING FOR THE SKIES

[Ed: Here’s a report on another type of usage tax on The Global Commons- air flight paths. But when will people see The Biggie? They’re standing on it! Anyway, this comes from the free Geoi st News – simply request them at gn@progress.org to have them put you on their emailing list]

Mayor Ken Livingstone today backed the idea of congestion charging for the skies at Heathrow airport. During his first question time at the new Greater London Authority premises at City Hall, the mayor responded to questions from the Green group. He said he supported the idea of a charging regime for air traffic along the same lines as his ideas for road traffic. He also said it would generate a revenue stream that could be put to public use.

At present Livingstone doesn’t have the power to introduce such a measure. He could not for the moment raise revenue in the same way for the skies as he plans to for roads. He would need to work with government to make it happen. However the London-based think tank the Henry George Foundation points out that the mayor could find considerable support for the policy.

Earlier this year the Institute for Public Policy Research - the influential Blairite think tank - backed the idea. A spokesperson for the Institute was quoted as saying the idea had been well received at both UK government and European levels.

The Henry George Foundation Chief Executive Peter Gibb says "at the moment it’s really a free-for-all in the skies. And that can’t be good for safety." A worked-out solution exists for the problem of congestion in the skies. "We have to ‘cap and licence’ for the use of the airspace" says Gibb. "The government must auction annual tradable licences to the carriers,"

The Foundation argues it’s the only way to ensure safety and fairness in the increasingly congested skies above Britain. Gibb also states that “all of us would benefit from the increased democratic control over the air routes. The taxpayer would benefit from the new ongoing revenue stream into public coffers. And the industry itself would benefit from the new free trade in licences - which would introduce competition in a safe way. The introduction of the idea is inevitable”. He sees the approach being applied to all sorts of areas of public life. "Public licensing of our airspace is a win-win-win idea" he concludes.

The Henry George Foundation is Britain’s independent Geoi st economic think tank and public education group.

www.henrygeorgefoundation.org
ENRON’S “CORPORATE CITIZENSHIP”

Recently I came across two interesting pieces of information about the disgraced and collapsed US corporation, Enron. Firstly, in 2001 it was the 8th largest company in the world, with revenue that year of US$138,718,000,000. Then I read that, for some years, Enron had paid LESS THAN ZERO in US federal income taxes because it received rebates that exceeded the amount of taxes they paid.

THE TAXMAN vs. THE INTERNET

[Ed: from James Robinson, in a recent edition of “Geophilos”, comes yet another observation on why LVT must become increasingly popular in the electronic age]

Growing internet trading will make it more difficult for governments to collect customs duties, value added tax (VAT), and other taxes and levies on sales—especially on products and services that can be downloaded from the internet, such as music, films, pictures, games, and advice and information of every kind. The internet will also make it easier for businesses and individuals to shift their earnings and profits to low-tax regimes.

Under existing tax systems, governments are increasingly losing tax revenue to tax havens. International efforts—for example by the EU and OECD—to deal with this will grow. But the most effective way to deal with it may be for national governments to shift the tax burden away from mobile tax bases to immobile tax bases like land and sources of energy.

A SETBACK IN DENMARK

Svend Dinsen sends in this report from Denmark:

With the votes of the right wing "Danish Peoples Party, the new liberal conservative government in Denmark have, on the 14th May, abolished the near 100-year-old principle concerning public property evaluation by impartial property evaluation councils. Future valuation assessments will be made by civil servants and the present 672 valuers are to be replaced by a 75-person complaint tribunal.

On the surface this could be seen as a mere change of administrative procedure, with the bill being promoted by the government as a cost-saving simplification of the previous system. Nevertheless it is viewed with concern by Danish Georgists, not least because it appears from the remarks that further "simplifications" over time could include the removal of the separate land value assessment, thereby meeting a long time wish by some of the bureaucrats in the administration to introduce an overall property value assessment for land and buildings.

Another concern for the Danish Georgists is that there has been very little public debate on the issue. Should the present government carry through their intentions, it would be very difficult (or near impossible) for a future government to re-introduce a separate land value assessment scheme.

A TACTICAL RETREAT

This communication from David Giesen (telekosmos@yahoo.com)

Camp Hank Chautauqua is open! Now there's a Californian retreat for Georgists—a place for all to revive the body, sate the brain and stir the spirit of humanity that is the essence of the Georgist Philosophy. David has acquired 27 acres of forest fifteen minutes from whitewater rapids and contiguous with 50,000 acres of a national forest.

The site is dedicated to Georgist educational work. David has directed a Georgist day camp the past three summers at one location and another, but with this title acquisition he'll commence a fixed summer residential and day camp for youths. Moreover, as of this July, he inaugurated a series of three-day educational retreat/get-aways for teachers that include outdoor recreation, massage work, and a hands-on seminar in integrating economic thinking and analysis into the classroom.

For grown-up Georgists and their families, Camp Hank is Giesen's open invitation to visit California. The three year plan is to build simple cabins, a central hall, install a standalone photovoltaic energy system, erect a sauna and pool, and become a centre for discussion of social philosophy in an atmosphere of bonhomie and delight in nature's bounty.

What's more, Camp Hank will serve as a base camp for planning, launching, and sustaining Georgist advocacy. Soon the site will host gatherings of Georgists which will serve as riotous, protean conjugations of souls bent on transforming life as THEY, the not-yet-cat-seeing folk, know it.

David insists you should not come to California without visiting Camp Hank, "It's your Georgist home away from home." Indeed, David welcomes friends and the greater Georgist family to help build this latest Georgist utopia. "Any Georgist who can wield a spade, a pruning hook, a ploughshare, a hammer, or any other instrument of civil change can stay till the job's done."

WHO OWNS SCOTLAND?

Andy Wightman has created a web site “that aims to reveal all about landownership in Scotland”. The "Who Owns Scotland? site is now up and running at http://www.whoownsscotland.org.uk

Already, over 90% of the county of Nairn and 65% of the county of Caithness are loaded and searchable by map or text. Try the site, and make helpful suggestions to Andy.

**ooOoo**
THE TROUBLE WITH LAND
John Gorton’s abolition of land rent in Canberra earned the gratitude of early landholders – but not of those trying to buy now

[Ed: With all the emotionally-correct things being said about former PM John Gorton after his recent death, it’s worth setting the record straight by reprinting this article from May 2000. It was written by Crispin Hull of “The Canberra Times”]

Much has been written about the erratic style of former prime minister John Gorton in the past week. One of his more erratic decisions is still being felt in Canberra today.

Gorton, who died last week, has been accorded a state funeral – the same honour he accorded Jim Fraser, the Labor member for the ACT who died in 1970. Fraser won 67.7 per cent of the vote in 1969, and was an enormously popular local member. Gorton naively thought the Liberals could gain the seat at the ensuing by-election.

The Liberals put up Clarrie Hermes, a well-liked Canberra magistrate. Labor put up Kep Enderby. At the time, there was a lot of trouble over land in Canberra.

In the lead-up to federation there was fear that speculators would get the profits from the increase in land value created by the establishment of the capital. To counter this, the Constitution said the land of the federal capital shall be “vested in the Commonwealth”.

The Seat of Government Act in 1910 forbade the Commonwealth to grant freehold in the territory. So a system of leasehold was set up. Residential leases ran for 99 years and commercial ones for 50 years. Leases contained two components – a premium for the lease itself and rent. Most leases, though, contain only one or the other.

When the first 99 year residential leases were offered in 1924, the land rent was set at 5 per cent of unimproved value, which was to be reassessed every 20 years. Land values were very low, so the combined rates and rent amounted to less than rates alone in other parts of Australia.

As time wore on, those who bought early were paying much less land rent than those who bought more recently. Someone who came to Canberra early might be paying $40 a year, when someone coming in 1969 was paying $240. And the rent was lower in the higher-value inner areas, because there was no reassessment for 20 years. But when the reassessment came it was often horrific. A car-dealer’s yard in Braddon got reassessed in the late 1960s from $3100 to $400,000 and the rent (5 per cent) went from $155 a year to $20,000.

The increase in value of the land was to go to the public through rent, rather than to the landholder.

But as these wildly jumping land rents occurred, resentment built up. It made commerce unequal. It made for jealousy between newer and older residents about their contributions to the upkeep of the city.

Rates were frozen to apply at 1962 values. That caused a large deficit in the city’s notional accounts. The bureaucracy and Advisory Council had many reviews and inquiries. Water rates were introduced, then a sewerage rate.

The freezing of the rates did little to lessen public puzzlement and anger over land rent. But the Department of the Interior, which had carriage of the matter, and its minister, the National Party’s Peter Nixon, were opposed to significant change.

Gorton seized his opportunity. In typical disregard for the bureaucracy and process, he convened a hasty Cabinet meeting at 5 p.m. on May 13, 1970 – three hours before Hermes was to open his by-election campaign at the community hall in Hughes. Nixon presented a paper on land-rent reform, leaving details to be worked out for later consideration.

Gorton then unexpectedly arrived at the Hughes meeting. He saw a vote-winner. He stood before an audience of several hundred (including the press) and announced “here and now” the abolition of land rent in Canberra.

There were no details. People clamored for them. Nixon admitted it was a half-cocked thing. Gorton had inadvertently included commercial rent.

It did Hermes no good: Enderby won on preferences.

The land auctions in 1970 were the last at which land went cheap in Canberra. Thereafter, land values have gone up and up and profits have gone to landholders.

**ooOOoo**
Monetary Reform: A Concern for Georgists?

by Geoff Forster

Georgists have tended to regard monetary reform as secondary to revenue-and-land reform, or even as of negligible significance. There is some justification for this, in that money, currency, finance etc. are secondary to and perhaps incidental to the production of goods and services. An extreme example would be to have $1 million in bank notes on an uninhabited desert island.

In *Land and Liberty* in August 2001, U.K. Georgist James Robertson argues for a new alliance for reform, involving money and land. Under monetary reform, he argues, commercial banks would no longer be allowed to print money as credit out of thin air into the current accounts of their customers as loans. In the U.K., it seems, over 95% of the money supply is created in this way. Commercial banks would have to borrow - no longer create - the money they lend.

In a 16-page contribution by Australian Georgist David Spain (available at 1/27 Hardware Lane), the first half is entitled *Site Revenue: Key to Economic Sanity*. The second half deals with money, currency and banking in a site revenue economy. Spain advocates “free banking” reforms that should accompany the latter. In this system there is no central bank, but each bank would have gold backing for the notes it issues. Commodity-linked redemption would obviate against inflation. Competition would play a key role.

In the August 2001 issue of “Good Government”, Alan Ecob describes how a group of people in 1694 purchased regal authority to issue financial-credit in a monopoly situation, to establish the private Bank of England virtually free from competition with its issue of official money. He concludes by saying:

“We now have a single world banking and financial system which is rapidly becoming integrated, and operates on exactly the same principles and basis as did the Bank of England from 1694. And we have a world economic environment in which individual governments are effectively powerless, resulting in an international climate of laissez-faire for multinational corporations.”

While it is true that for banks and financial institutions their main backing is in site value, the fact remains that speculation in currencies is a far from negligible activity. Then there is the role of governments in abetting or even promoting inflation.

Of course, any improvements in the financial/currency systems will increase site rents and, under most existing regimes, thereby enrich landholders, either individual or corporate. This is why land and revenue reforms are fundamental. But perhaps as Georgists we should not overlook monetary reform, and we in Australia should be indebted in particular to David Spain for exploring this issue so well.

Rent and Land Values

by Mason Gaffney

[Ed: This was snipped from the Land-Theory web-based discussion list.]

The engine of the market is the price mechanism which is a simple negative feedback device to maintain what economists (probably) call the price equilibrium. I prefer Market Clearing Price - another good concept that's gone out of style as students are forced to wade through those hopeless and hapless supply/demand curves.

The land market is not subject to the price mechanism. It is more akin to the collectible market. If we want to understand how land prices develop, we must check the collectible market's handling of Renoirs, rare books, stamps, antiques, and Rosalie beer cans - none of which are susceptible to price mechanism action. Collectible prices are based not on some 'future discounted' something or other, yet another try to make economics respectably mathematical. They own no allegiance to the market, but are the "anticipated future value" of the collectible in the mind of a collector buoyed with optimism that tomorrow's price will be higher than today.

The most obvious characteristic of the collectible market is that income is unimportant compared to sale price. This is the behavior of the land speculator, who usually puts his land to work only to pay out of pocket costs - thus the origin of the term 'tax-payer'. It's also the economic justification for a 100% collection of Economic Rent. (A neutral tax! Baloney!)

So, when discussing land we have four values to work with: the collectible land price; the hypothetical income calculated by capitalization from this sales price; rack-rent - the highest amount that can be squeezed from producers; and Rent, the community created value that attaches to a location.

We should be very careful which value we are discussing, for we can get into all sorts of trouble discussing the wrong one. Meantime, nobody measures Rent in the US and no-one knows what total Rent may be. Georgist calculations are really measurements of the hypothetical income referred to above.

Socialized rent would allow for untaxing buildings, labor, commerce, etc., thus raising rent more than the higher taxes on rent itself will lower after-tax rent. Interestingly, the only way we are likely to find Rent is to tax existing land value high enough to make speculation unprofitable. Land would come on to the market in quantities sufficient to drop prices toward zero long before a full 100% collection of Rent is achieved.

**ooOOoo**
World Bank Listens!

[Ed: When a noted academic is invited to lecture the World Bank and then hits them with fairly explicit Geordist economics, we’re entitled to raise our eyebrows! On April 30, 2002 in Washington, DC, Herman E. Daley delivered an address entitled “Sustainable Development: Definitions, Principles, Policies” in which his technical economic terms build a bridge from Geordist & ecological economics to mainstream World Bank economists. At 18 pages long, the speech can only have some excerpts reproduced here, but I’ll email the whole thing to anyone who requests it]

But from the point of view of equity it matters a great deal who receives the price for nature’s increasingly scarce services. Such payment is the ideal source of funds with which to fight poverty and finance public goods.

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Value added belongs to whoever added it. But the original value of that to which further value is added by labor and capital should belong to everyone. Scarcity rents to natural services, nature’s value added, should be the focus of redistributive efforts. Rent is by definition a payment in excess of necessary supply price, and from the point of market efficiency is the least distorting source of public revenue.

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Appeals to the generosity of those who have added much value by their labor and capital are more legitimate as private charity than as a foundation for fairness in public policy. Taxation of value added by labor and capital is certainly legitimate. But it is both more legitimate and less necessary after we have, as much as possible, captured natural resource rents for public revenue.

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The above reasoning reflects the basic insight of Henry George, extending it from land to natural resources in general. Neoclassical economists have greatly obfuscated this simple insight by their refusal to recognize the productive contribution of nature in providing ‘that to which value is added’. In their defense it could be argued that this was so because in the past economists considered nature to be non-scarce, but now they are beginning to reckon the scarcity of nature and enclose it in the market. Let us be glad of this, and encourage it further.

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I am not advocating revolutionary expropriation of all private property in land and resources. If we could start from a blank slate I would be tempted to keep land and minerals as public property. But for many environmental goods, previously free but increasingly scarce, we still do have a blank slate as far as ownership is concerned. We must bring increasingly scarce yet unowned environmental services under the discipline of the price system, because these are truly rival goods the use of which by one person imposes opportunity costs on others. But for efficiency it matters only that a price be charged for the resource, not who gets the price. The necessary price or scarcity rent that we collect on newly scarce environmental public goods (e.g. atmospheric absorption capacity, the electromagnetic spectrum) should be used to alleviate poverty and finance the provision of other public goods.

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The modern form of the Geordist insight is to tax the resources and services of nature (those scarce things left out of both the production function and GDP accounts) and to use these funds for fighting poverty and for financing public goods. Or we could simply disburse to the general public the earnings from a trust fund created by these rents, as in the Alaska Permanent Fund, which is perhaps the best existing institutionalization of the Geordist principle. Taking away by taxation the value added by individuals from applying their own labor and capital creates resentment. Taxing away value that no one added, scarcity rents on nature’s contribution, does not create resentment. In fact, failing to tax away the scarcity rents to nature and letting them accrue as unearned income to favored individuals has long been a primary source of resentment and social conflict.

A Bit of History

When Spanish Conquistador Pizarro first landed on the continent of South America in 1514, he (as did all Spanish conquerors, including Columbus when he landed at Haiti) read the following prepared proclamation (referred to as “The Requirement”) to the uncomprehending natives, who stood before him with gifts of food and sacred objects:

“I implore you to recognize the Church as a lady and in the name of the Pope take the King as lord of this land and obey his mandates. If you do not, I assure you that with the help of God I will make war upon you in every place and every way that I can. And I will subject you to the yoke and obedience of the church and their highnesses. And I will take your persons and your women and your children and I will make them slaves. I will take your goods and I will do you all the evils and harms which I can. The deaths and injuries that you will receive from here on will be your own fault and not that of his majesty nor of the gentlemen who accompany me.”

Progress September – October 2002
**From The Whitehorse Leader, 10/7/02**

**RISING COST OF LAND**

IT MAY appear that home owners in Whitehorse will benefit from the average home value rising to $267,071 from $199,248 when the last valuation was taken in January,2000. However, this rise is mainly due to the spiraling cost of land, which is likely to result in many of the coming generation being unable buy a home.

This madness must be countered. The most effective way would be to adopt a realistic community resource charge on land values. This would stop the inflating of land values and provide revenue which would allow the axing of pay roll and other business taxes and so result in increased employment.

- David Barkley, Box Hill, Melbourne

**STICK TO SITE VALUE**

Following the revaluation of our properties, Cr Robert Chong said the rate bills for some owners would rise because of the property improvements they have made. At ratepayer polls in all the areas that now comprise Whitehorse, a clear preference was shown for the site value basis because it exempts improvements from being rated. This preference was reinforced at later polls and the removal of the disincentive effect helped to beautify the whole area. We need more of it.

Regardless of those polls, the Kennett Government forcibly altered the municipal boundaries, thus legally reintroducing the penalty of improvements. I hope Cr Chong and his fellow councillors will now apply pressure to the present government, both for the ending of the municipal penalising of improvements, and also for appropriate charging by the water, power, gas and telephone, companies. Do not all their conduits run uselessly past the remaining vacant blocks and the properties that need updating or maintenance?

W.H. Pitt, Nunawading, Melbourne

**Excerpts from a letter circulated among Geists for discussion purposes:**

**CORE PRINCIPLES**

"We understand that the basic idea of the Georgist movement is that all human beings are born with an equal right to the gifts of nature and advantages of the society they are part of. As FREE access to the gifts of nature is denied people in general, this injustice shall be offset by acknowledging all people's right to an equal share of the annual economic rent of nature."

When speaking to people who are not confident with the wording used by economists I think we better have to say it in another way that could be: "As original FREE access to the gifts of nature, needed for maintenance of life, is denied people in general, this injustice shall be offset by common access of all people's right to an equal share of the value of all land in the country. This value is to be understood as the annual value assessed by regular, fair and accurate assessments of the market-determined rent of land, and it shall be collected annually from the landowners by the public and paid out annually to all citizens in equal shares."

About the SIZE of a Citizens' Bonus: Until recently the Georgist attitude was that the economic rent should be publicly collected for the purpose of replacing taxes of every kind. Concern was whether the size of the economic rent was big enough to replace all taxes.

This is no longer a problem as we now are convinced by economists and statisticians that the economic rent consists of more than the landowners part of it; other parts are those taken by tax collectors, privilege holders and criminals, which means that the size of the economic rent is at least big enough to compensate for all taxes.

- Ole Leffman, London, England

**Conspiracy of Silence**

I have written many letters to editors (mostly unpublished) complaining about misleading reports about escalating house prices and pointing that house prices go down and land prices go up. But we know why building sites go up - we certainly know - but the newspapers are keeping it a secret. I had an experience recently when I wished to change my house and contents insurance and when the insurance company asked how much the land was worth I went to my council rates notice only to find that the land value no longer appears on rate notices - a rather sinister bit of the conspiracy of silence!

Another subject that generates a lot of boring argument is banks & the money supply. The worst part of this subject is that it is made to look so mysterious and you have to wade through so much uninformed nonsense which like nearly all these problems would disappear if all the rent was collected and all the taxes were abolished.

- George Jukes, Norwood, Adelaide

**SCORESBY FREEWAY WRANGLE**

From The Age, 20/6/02

The current Federal-State wrangle over funding for the Scoresby Freeway raises the question as to whether the Federal Government should pay anything. Any Federal funding would come from taxes paid by many living thousands of miles distant, while those owning land, the value of which will rise as result of this infrastructure will benefit. A rate on land values should be applied to land benefiting from the freeway and the Federal funds applied to such matters as subsidised medicines.

- David Barkley, Box Hill, Melbourne
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DEALING WITH THE MEDIA #1:
HANDLING AN INTERVIEW

How would you respond in a live radio interview if it was asserted that:

- Henry George wasn’t actually an economist, but was just an uneducated gas meter reader
- Georgist economics only became popular because the world was in turmoil and it was a time when people were looking for obvious, simple solutions
- Georgism is just another Utopian dream where we get rid of everything, we have one tax, and that solves all the problems!
- Georgism can’t apply to all sorts of modern commerce and modern transactions, nor in an international economy
- there’s “empirical evidence” that countries with higher marginal rates of income tax have higher rates of employment

….. well, this is what was thrown at our Prez, Maurie Fabrikant, in an interview with Terry Laidler on Melbourne’s ABC radio 774!

So we’ll use this interview as a starting point to discuss the curly questions, the utter nonsense as well as the very good, probing questions which we may have to deal with in such situations.

A number of us have dealt with the media, but ALL of us have ideas to contribute – so this will be very much an all-in participatory affair. We’ll listen to a recording of the whole 20-minute interview, aided by copies of transcripts of particularly interesting exchanges. We can also deal with the particulars of television interviews. We’ll facilitate the evening, but we don’t want to just preach at you – WE WANT TO HEAR YOUR IDEAS!

Venue: our offices at 1/27 Hardware Lane
Time: kicks off at 7.00 p.m. on Thursday, October 10
Tea, coffee & snacks provided. No charge. All welcome. Convenient parking opposite (entrance via Bourke St.), for $6.60 after 4 p.m. (closes 10 p.m. sharp).

DEALING WITH THE MEDIA #2:
WRITING LETTERS, ARTICLES & PRESS RELEASES

- Hear from those with years of letter-writing experience
- How to make your piece relevant to topical issues
- How to make it as brief as possible
- And lots more tips so you can get your piece published (or directly before the eye of a politician)
- Plus the Golden Rules for constructing a press release

Scheduled for early December (details to be announced)

DEALING WITH THE MEDIA #3:
PUBLIC SPEAKING AND DEBATING

- You can’t be an activist if you’re not prepared to speak out!
- It doesn’t come easy, but there are still many items of practical advice to pass on
- This will also be a two-way, interactive evening

Scheduled for February 2003 (details to be announced)

DEALING WITH THE MEDIA #4:
THE BEST ANSWERS TO THE TOUGHEST QUESTIONS

- We reckon we’ve heard all the objections over the years!
- How to squarely address the good questions, to quickly dispense with the ridiculous accusations, and to ensure you get your main points across
- And you can use this as an opportunity to ask any of YOUR questions!

Scheduled for April 2003 (details to be announced)
JOHN STUART MILL (1806-1873)

This English philosopher and social reformer was one of the major intellectual figures of the 19th century and a leading exponent of the British empiricist and utilitarian traditions. Born in London, son of the Scottish philosopher James Mill, his father was wholly responsible for his remarkable and rigorous education. He was taught Greek at the age of 3, Latin and arithmetic at 8, logic at 12, political economy at 13 and, by the age of 14, had mastered classical literature and advanced mathematics. One has to wonder whether he was being groomed to become an intellectual giant or just a plain nerd, for he was shielded from association with other boys of his age and his only recreation was a daily walk with his father, who meanwhile conducted oral examinations! His forced education undoubtedly helped him fulfill the ambitions his father had designed for him of becoming leader and prophet of the Benthamite utilitarian movement.

After a visit to France in 1820 he broadened his studies into history, law and philosophy and in 1823 began a career under his father at the India Office, where he advanced to become head of his department and retired in 1858 on the dissolution of the East India Co.

“Landlords grow rich in their sleep without working, risking or economising. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not the individual who might hold title.”

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

He began publishing at age 16 and soon after helped form the Utilitarian Society. His intellectual accomplishments were enormous but he underwent a mental crisis which was the unsurprising consequence of his precocious but emotionally restricted development. He did recover, however, to embrace a wide range of influences, including correspondences with Carlyle, Maurice and Sterling, and thorough examinations of Tennyson and Coleridge.

Mill stands as a bridge between the 18th-century concern for liberty, reason, and science and the 19th-century trend towards empiricism and collectivism. His greatest philosophical work, System of Logic (1843), ranks with Aristotle’s work in that field. But his most acclaimed was his brilliant essay On Liberty (1859), which eloquently defines and defends the freedoms of the individual against social and political control. His other major works included Principles of Political Economy (1848), Considerations of Representative Government (1861), Utilitarianism (1863), Examination of Sir William Hamilton’s Philosophy (1865), The Subjection of Women (1869), Auguste Comte and Positivism (1872) and Three Essays on Religion (1873). He remained politically active in later life and was elected to Parliament in 1865, campaigning for women’s suffrage and generally supporting the Advanced Liberals. In 1872 he became godfather ‘in a secular sense’ to Bertrand Russell, who became just one of a number of esteemed thinkers who were greatly influenced by Mill.

It is no surprise that such a wide-ranging, socially concerned and open-minded intellectual rediscovered Geist principles in his own manner. His “ordinary” reflections on social justice became the springboard for his Geist views, and included:

- circumscribing utilitarianism through his espousal that minority groups should not be subjugated for the pleasure of the majority
- the elevation of the status of women
- within utilitarianism, restoring the importance of cultural and idealistic values
- being one of the leading advocates of birth control (for which he was once arrested)
- his campaign for compulsory education

But Mill’s economic thinking took a quantum leap once he “saw the cat” and recognised the distinction between land and capital, even though he died 6 years before the publication of Henry George’s Progress and Poverty. In a British Parliament then dominated by the landed class, Mill was considered a radical because he supported such measures as public ownership of natural resources. He tried to help the English working people by promoting measures leading to a more equal division of profits, and favoured a non-socialist cooperative system of agriculture.

“A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavourable circumstances, and in those circumstances, as we have so often demonstrated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State.”