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Invariably when I talk to individuals and at workshop groups about our Geoist proposals, I'm asked why, if this really is so big, it remains virtually unknown. My usual response is to quickly run through the main historical reasons (George's premature death, corruption of academia by vested interests, resistance by House of Lords, use of socialism as a palliative etc.) before asserting that, on another level, the real reason lies much deeper –our education system which, literally, includes the mass media. **"Television rots brains"** - contrast the culture of inquiry in HG's time to today's culture (and I use that word loosely) of media bombardment and programming.

One of the reason I personally like my fellow Prosper Oz execs is that we're all pretty unpretentious and down-to-earth. It's no coincidence, probably, that none of us wear spiffy suits, drive flashy cars, or lead an overly high-consumption lifestyle. We'll often talk about good books or articles we've read, yet I can't ever remember anyone ever talking about some movie or TV show or trash pop culture mag they've read.

Is that an underlying reason why we've penetrated the insanity of our economic system yet few others have? To quote El Presidente, Maurie Fabrikant, in the issue's *Seeing the Cat* essay, "I believe that most adults are unwilling – could they be unable? – to read material that requires considerable, sustained mental effort".

To lift our game and spread the Geoist word on our way to healing the planet from the curse of poverty and wage-slavery, we need to *consciously* work to better understand and subvert the methods that media and marketing manipulators use to sedate the populace. Clearly, this is long-term stuff. Most people are house niggers who think they're well off because they're not field niggers.

The last thing we should do is employ a media/marketing professional on this long journey of understanding. Our limited time and resources would be much better spent

learning from groups who seek to awaken the public, such as the subversive but highly media-savvy outfit, Adbusters. Two years ago, I was vigorously opposed to the employment of a mainstream media guru, who proved to be part of the whole nonsense and whose promises turned out to be empty. This dalliance with "the system" was also an expensive financial lesson.

In contrast to "professional" media consultants, the excellent Adbusters magazine is a fiercely-independent publication that seeks to expose and subvert media saturation, manipulation, distortion and the whole insane, slyly-created culture of consumption.

To those who say "This is a long way from our core values of promoting natural resource charges", I reply that they're right – I'm only advocating one small peripheral change. But there are a multitude of other such changes we can and should make that, together, will bolster our movement into becoming a broad-vised, alert, responsive and wholistic organisation that is aware of all the many corrupting influences on our social fabric that blind people to our message. How can we credibly claim to be the light-bearers of the most urgently-needed planetary reform when we munch McDonald's, buy Nestlé products, rely on pharmaceuticals for health, or look for happiness in a bottle or a sliff?

Prosper Oz has just taken out a subscription to Adbusters' magazine – when you next want to escape the city turmoil, drop into our Hardware Lane office, have a cuppa with Anne, browse through our magazine rack and check out this terrific magazine.

For web surfers, you can see what I mean – this is Adbusters home page:

www.adbusters.org/home/

Of the many good links to be found, here's a useful quick

summary of products/corporations to particularly avoid, and why: www.themechanicsofdestruction.org/

And, if you're not convinced that privatisation, media saturation and commercialisation can sink to even darker depths, follow the links to this page, showing how some US police cars are now being plastered with McDonalds logos!



Like most Poms, Timothy Glazier doesn't have a clue when it comes to cricket but, by Crickey, he can write a cracker of an essay. His philosophical piece on p. 4 is just the first of a number of scoops for this rag!

A couple of banana-benders are presently considering working as promotional organisers for our noble cause, and their essays here reflect their very different approaches. John Foley has written a very lively and readable essay which illustrates our principles in everyday language, while Gavin Putland's scholarly piece is worthy of the most prestigious of refereed journals.

YOUR contribution – or at least the passing on of any little news snippet – is always welcome.

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The History of Economic Policy

Maurie Fabrikant recently circulated this modern fable, and followed it up with the comments appended

Start with a cage containing five monkeys. Inside the cage, hang a banana on a string and place a set of stairs under it. Before long, a monkey will go to the stairs and start to climb towards the banana.

As soon as he touches the stairs, spray all of the monkeys with cold water. After a while, another monkey makes an attempt with the same result all of the monkeys are sprayed with cold water. Pretty soon, when another monkey tries to climb the stairs, the other monkeys will try to prevent it. Now, turn off the cold water. Remove one monkey from the cage and replace it with a new one.

The new monkey sees the banana and wants to climb the stairs. To his surprise and horror, all of the other monkeys attack him. After another attempt and attack, he knows that if he tries to climb the stairs, he will be assaulted. Next, remove another of the original five monkeys and replace it with a new one. The newcomer goes to the stairs and is attacked. The previous newcomer takes part in the punishment with enthusiasm. Again, replace third original monkey with a new one. The new one makes it to the stairs and is attacked as well. Two of the four monkeys that beat him have no idea why they were not

permitted to climb the stairs, or why they are participating in the beating of the newest monkey.

After replacing the fourth and fifth original monkeys, all the monkeys that have been sprayed with cold water have been replaced. Nevertheless, no monkey ever again approaches the stairs. Why not? Because as far as they know that's the way it's always been around here. And that's how "policy" begins....

The lesson I perceive is that most humans in most situations - just like the monkeys in this instance - "go along with the crowd". They rarely - if ever - question WHY some apparently idiotic situation persists. In this case, access to a perfectly desirable banana is - for some unknown reason - perpetually forbidden by force of



habit.

No one monkey is either:

- 1) sufficiently strong to overcome the combined force of the others; or
- 2) sufficiently capable of overcoming the prejudices of the others so the reward - the banana - remains unclaimed.)

Our problem seems to be two generally-accepted beliefs; namely:

- 1) If you earn money, you are clearly able to part with some of it

for communal purposes thus income tax is a sensible way to derive such revenue; and

2) If you spend money on goods or services, you can clearly spend a little more for communal services thus sales tax, stamp duty, excise etcetera are other sensible ways to derive such revenue.

What is totally ignored is that these taxes amount to theft that has been exempted from punishment by acts of parliament. Worse, these acts of parliament demand that this theft be continually perpetrated against those who are the very benefactors of the community; namely:

- 1) those who perform labour in order to provide desired goods and/or services; and
- 2) those who exchange desired goods and/or services with others.

For this reason alone, Australia - and all other nations that indulge in this form of revenue raising activity cannot possibly be described as "civilised". All such nations are nations of thieves and it is no wonder that all nations are experiencing difficulties of gigantic proportions, both social as well as economic. NO IMPROVEMENT is possible until we successfully bring these ideas to the attention of the prejudiced and unthinking "monkeys" with whom we share this country and planet.

"The impartial law of this nation, and of the world, states that although no mortal created the earth, and although no individual creates the rental value of the soil, nevertheless we shall all pay our rents to whoever is rich enough to demand them from us."
- Steve Wall

'MINE' AND 'OURS'

- ACHIEVING SECURITY BY TRADING THE FREEDOM TO STEAL

“God ordained all the waters of the world to be in common for creatures of the water, and all the earth for creatures of the earth. Only that unhappy being, man, divided what God had united. He confined his dominion, that was vast by nature, to narrow limits. He introduced into the world ‘mine’ and ‘yours’, the origin of all strife and evil.”

The letters of Marcilio Ficino, Volume 1, Letter No 73 to Angelo Poliziano

‘How much freedom should we trade for our security?’ was a timely theme for the recent Shell/Economist Essay Competition. The following essay, somewhat extended for readers of Progress, was submitted by England’s Timothy Glazier, who will follow up his philosophical and anthropological inquiries in future issues.

The answer is simple.

At the root of the insecurity of the times in which we live is a simple truth. This is that instinctively every human knows that it is heir to the sharing of the bounty of the earth, but that more often than not this heritage is denied. When that heritage is denied, then insecurity will inevitably follow - it has been thus throughout recorded history. It is because everyone instinctively acknowledges this, that what is written below cannot be denied.

We inhabit a planet upon which nature burgeons forth unlimited riches which are available to sustain the needs of the myriad forms of life - each one of which also contributes to this richness. These life forms include humanity. In this world of abundance humanity only has to hold out its

hands and nature fills them to the brim. This abundance is available to, and is the rightful property of all. All this is OURS - our common wealth and heritage.

Further, so blessed is humanity with creative genius that it has devised ways of multiplying this bounty many million fold and to share in this bounty each individual and each group should be able to take what they need and give in return of what they can contribute - and every society accordingly creates its laws to apportion this out and to allow rights of collective and individual possession. However, when such laws enable groups and individuals to claim *as personal property*, as MINE, what in fact is OURS - without making recompense - then problems will follow.

A just, free, secure and fulfilled society would be achieved if there was general recognition and acknowledgement of that which is OURS, and which, at the same time, ensured that



“instinctively every human knows that it is heir to the sharing of the bounty of the earth”

what was claimed as MINE did not conflict with that rightful heritage. Taking as MINE, what is rightfully OURS without recompense, is *stealing*. It is as simple as that.

What is MINE?

As Marcilio Ficino points out in the quotation above, the concepts of

‘mine’ and ‘yours’ are ‘the origin of all strife and evil’ so establishing what can justly be called MINE is an important element of civilised society and the principles underlying what constitutes private property are commonly acknowledged to be those that John Stuart Mill set out in his *Principles of Political Economy*. The essential element of these principles, he wrote, ‘consists in the recognition, in each person, of the right to the exclusive disposal of what he or she may have produced by their own exertions, or received by gift or fair agreement, without force or fraud, from those who produced it.’ Everything else, by this principle, must be OURS.

Today, however, it is very evident from the *‘strife and evil’* - poverty, suffering and increasing lack of security - that exist throughout the world that mankind has drifted far from the recognition of the principles underlying what can be called MINE, and it can be seen that this is largely because it has generally become *sanctioned* by our culture that what is understood to be OURS, can, without recompense, be ‘privatised’ and be called MINE by individuals or groups.

Because of this, insurmountable divisions have grown up within humanity which, in turn, has become separated and distanced from its heritage, the planet earth in all its abundance. The result is suffering, cruelty, injustice, poverty, terrorism, war and devastation of the earth. Through this failure to accord to what is the natural state of things, freedom and security for all has been lost.

What is the solution?

The solution is simple. To achieve a secure world the right to claim as MINE, that which is OURS, without recompense, must be traded for the acknowledgement that a *duty* is owed by those who wish to make such a claim. This means that those who wish to enjoy sole rights to that which belongs to the whole community, whatever form that might take - land or natural resources - are required to make recompense for that privilege and it would become the solemn responsibility of national and international governments and authorities to ensure that this takes place.

But before that happens there must be some common agreement on what does belong to all. But if an objective review could be made of the nature of things, it would show that all lands and seas and the natural resources contained within and above them, are OURS. The sunlight that is the primary energy of the biosphere, is OURS. The air and all the water, upon which life depends, are OURS. The atmosphere and the space surrounding the earth are OURS, the airwaves and electromagnetic spectrums are OURS. All forms of global or universal natural resource, whether material or energetic, are all OURS. Crucially also, the values that

“The values that accrue to specific sites and places within this common wealth, because of the presence and enterprise and investment of a society, must also be acknowledged as belonging collectively to that society”

accrue to specific sites and places within this common wealth, because of the presence and enterprise and investment of a society, must also be acknowledged as belonging collectively to that society.

The Practical Implications today.

In our present complex, diverse and often overcrowded global societies the

principles contained within this relationship of OURS and MINE are just as simple, and just as relevant and, once recognised, could be restored.

All communities require a source of revenue to service their infrastructure, care for the dependent and provide communal services. The natural source of this public revenue arises out of the duty owed to the community by those who have claimed as mine, what in truth belongs to that community, what we have identified as OURS. Thus the use of any of those communal facilities by groups or individuals, that we have described above as being ours, would carry a duty from those who chose to consider them as mine. This duty has traditionally been discharged by the performance of a service or by the payment of a charge, called by the classical economists the economic rent of land and natural resources, and that charge is the natural source of public revenue.

Because this natural source of public revenue is currently rarely collected, those who are responsible for gathering the public revenue have no other recourse than to extract this, in one way or another, from that which we established above is truly MINE - the fruits of the work of the hands of an individual or a group established above as being truly and naturally private property, that which by nature is MINE. Thus, not only do groups and individuals steal from the collective possession by claiming as MINE, what is naturally OURS, but that which *is* naturally MINE is stolen by those responsible for the gathering of public revenue, thus exacerbates the sense of injustice of all who are so affected, stifling creativity and enterprise, and greatly increasing the sense of communal insecurity.

Trading the freedom to steal.

The freedom that has been given to stealing in this manner by today's culture is the root cause of insecurity - individually, communally, nationally and internationally: it is also the root cause of global poverty, economic injustice and the devastation of the

planet's resources. This is the freedom that must be traded in order to restore a sense of security at all these levels and economic justice to all people. This will only follow when a common understanding of what is OURS and what is MINE can be restored, and the necessary consequences of that understanding implemented by governments.

“In due course this understanding will be restored because the knowledge of it is known in the hearts of all - though it has just been temporarily forgotten by the majority and covered over to protect privilege”

In due course this understanding will be restored because the knowledge of it is known in the hearts of all - though it has just been temporarily forgotten by the majority and covered over to protect privilege by our culture. The knowledge of what is OURS and what is MINE was known by pre-literate humanity, it is known by those who live close to the earth and it is encapsulated within the teachings of all the great religions. Today it is becoming awakened in the growing numbers who are emotionally motivated to work for the relief of poverty, the bringing of peace and justice, and the protection of the planet. In due course the memory will be revived within all, possibly only when the insecurity arising from this basic human injustice becomes more and more acute.

Once that has happened a sufficient united will would arise so that the simple and necessary changes can be made to restore a condition of justice by trading the freedom to steal - leading to a true and lasting security and justice for all humanity.

For the next issue: How did our culture come to lose its understanding of the natural order of things?

Go Ahead and Laugh (your landlord is)

*“If you go
♪ down to
the lake ♪
today, you’re
in for a big
surprise”.* ♪
At least,
that’s what
Queensland
Geoist
campaigner
John Foley
copped when
he was on
holidays
recently.

The hired houseboat rounded the point. Ahead, I saw a line of white buoys that seemed to stretch right across the lake, barring our way.

From the fore deck, Peter, our eldest, pointed excitedly to the left. “Look, Dad. There’s a man on that motor boat. He’s waving at us.”

I headed for the stationary motor boat and as we got closer, we could see that it was on the far side of the buoys. The man was calling to us, “Just pull in here.”

I throttled back so that we just drifted alongside, the buoys

acting as fenders.

Liz looked at me and then asked him, “Who are you?”

“I’m the waterlord.” came his reply. “I own the water and you have to pay me rent.” “You’re the what?” I asked.

“I’m the waterlord.” he repeated. “You have to pay me rent to cross this water. It’s based on the boat and the number of people on board.”

Liz allowed herself a little laugh. She asked. “And what exactly is a waterlord?”

“Well,” he looked perplexed. “I own the water. I charge rent to all the boats that go by.”

I looked at him indignantly. “I’ve never heard of a waterlord.” I said. “Are you trying to tell me that you own this water?”

“Yes, I do. It’s my water, and you have to pay to use it. Do you own land?”

“Well, yes,” I stammered. “I have a house in the city.”

“Well how would you like it if I came to your place and just started wandering around your lawn for nothing? You have to pay to go on my water.”

I hesitated at such nonsense, then snapped back, “But that’s different. I own my land. Of course you would need to pay if you wanted to use it. How can you own water?”

“Simple.” he said. “I live on this boat. I fenced off the water the same as you did to your land and I charge people to go on it.”



“I fenced off the water the same as you did to your land and I charge people to go on it unless you want to spend your boating holiday anchored where you are, you will have to pay me”

“You can’t fence off water!” I snapped back.

“Is your land fenced off?”

“Well, yes, of course it is. I live in

the city.” I said, indignantly.

“How did you come to fence off your land?”

I thought for a moment, then answered, “Well, it was a farm until it was subdivided. We bought a block, then fenced it off.”

“Was the farm fenced off more than twelve years ago?”

“I suppose so. It would have to have been. It was farm land.”

He nodded then asked, “What about before it was farmland? Was it fenced off then?”

“How do you mean?”

“Were there any fences on it before it was a farm?”

“No, of course not.” I snapped at him. “Well, err, I don’t suppose so. No. It was just open land. When the original farmer took it, he would have fenced it off.”

“Well, I’ve fenced this water off.”

“Don’t be so stupid!” I snapped at him. “I’m going through here anyway.”

As I turned to walk back to the controls, he said slowly, “If you cross my boundary, a net will lift above the surface and a mesh will snag your propeller. Then you will have to pay a diver to cut you free and I will sue you for repairs to my mesh. If you

damage either the net or the mesh yourself, I will sue to recover my costs as well as pressing criminal charges. Unless you want to spend your boating holiday anchored where you are, you will have to pay me.”

Liz hesitated, then asked, “Well, how much do you charge?”

“It’s \$10 for the boat, \$6 each adult and \$4 for each child. How many do you have on board?”

“Two adults, and three children.” she replied.

“Well then,” he calculated. “That’s ten plus twelve and three fours are twelve. That will be \$34 thanks.”

After a short conference with Liz, I took the appropriate notes from my wallet and passed them to him rather than spoil our holiday

He grinned and called out, "Just steer her between the red buoys there."

Twenty minutes later, Liz was steering and I was using a cold beer to calm down.

Jan called out, "Mum. Mum. Look! There's more buoys."

Up ahead was a line of white buoys with an ostentatious motor boat anchored beside them. It was huge with several decks, tuna poles, radar and multiple radio antennae. This boat was equipped to go to sea. A man was on the bridge waving us over to him.

I went below and angrily took the helm from Liz, pushing the throttle to full speed.

I pulled alongside and swirled water ahead of us as I reversed the motor.

Stepping onto the deck, I shouted at him, "We have a perfect right to travel on this lake, you know."

Without hesitation, he calmly said, "You have to pay me rent to go through. How many do you have on board, please?"

"I know. I know." I snapped at him. "We already paid the other bloke back there."

"Ahhh." He nodded. "You paid him for his water. I'm afraid you'll have to pay me for my water."

Liz sighed, then asked him, "You mean that he owns this water, but you own that water, and we have to pay you both.?"

"Yes, Madam. That's only fair, isn't it? How many do you have on board please?"

Liz begrudgingly answered, "Two adults and three children. You mean we have to pay you \$34 as well?"

"Oh, no, no, no, no. I couldn't possibly do that. You see, the fishing is not very good on his water and the scenery is very dull. I have to charge \$15 a boat and \$6 per person, so that will be \$45 please."

Livid, I roared at him, "\$45! Why should I pay that, you thieving prick?"

Liz had heard my bad language before and hustled the kids away to the back deck.

"Because if you don't," he said calmly, "I won't let you onto my water. That's only fair isn't it? \$45 please."

Liz returned and whispered to me that the children were really upset, and asked if I could just pay the money so they could have their holiday. After some discussion with her, I reluctantly agreed and gave him \$45. Waved through by the waterlord, I slowly motored between the red buoys onto his water.



"Well what if I just turn around and go back to the boat hire?"

Jan called from the sundeck that the frame of the sun canopy had come apart, and was hanging loose. My blood pressure rose further but Liz took the helm while I went to have a look at it. A bolt had worked loose and fallen onto the sundeck. Frustrated, I couldn't reach high enough to replace it.

Liz turned us around and we pulled up beside the waterlord's boat. I showed him the problem and asked if he would mind if I stood on the bow of his boat while I repaired the frame of the sun canopy.

Just in case, I asked, "You're not going to charge me are you?"

"Of course not." he laughed. "We boaties have to look after each other. That's only fair, isn't it?"

As I worked on the canopy, I asked, "How many of you waterlords are there."

"All the best spots on the coast are taken but there are eight of us on this lake."

"Eight!" I shouted. "You mean I have to pay eight of you bandits to get to the other end of the lake?"

"Well, yes." He nodded. "We have to make a living."

"Well you must be making a good living out of it. How many boats go through here?" I asked.

"Oh, say five a day, more at Christmas."

I snapped at him, "But that's over \$200 a day! And more at Christmas."

"True. True." He nodded. "But everybody gets paid more at Christmas, don't they? That's only fair, isn't it?"

"Well what if I just turn around and go back to the boat hire? That would seem to be the cheapest thing to do." I said.

He nodded slowly, then quietly spoke. "You could do that. But two lots of \$34 and one of \$45 does seem rather a lot for a morning's boating, doesn't it?"

I corrected him. "The first bloke only charged me \$34 once."

"Ah, yes. But that was to cross his water one way. If you wish to cross it again to leave, you must pay again. That's only fair, isn't it?"

"Hang on!" I roared. "You mean I have to pay each of you waterlords twice each?"

Calmly, he nodded. "Of course. If you use our water twice, you must pay twice. That's only..."

"Yeah, yeah. I know. It's only fair, I snorted. "What exactly do you do for your money?"

"Well," he hesitated. "Nothing. I'm a waterlord. I collect rent"

"But you must be making more than a landlord."

"Ooo, I know I am. I used to be a landlord." ■

SCOTLAND

LVT PARLIAMENTARY PUSH

Ed: Here's just a snippet of big breaking news (with many thanks to Scottish campaigner, Peter Gibb), to be reported in detail next issue:

Scottish parliament's Green member Robin Harper's successful motion on Transforming Public Finance will mean a Parliamentary Inquiry into the contribution that land value taxation could make to Scotland.

His motion was: "That the parliament notes recent studies by the Executive and is interested to build on them by considering and investigating the contribution land value taxation might make to the cultural, economic, environmental and democratic renaissance of Scotland."

It's worth including a few parliamentary quotes of Harper's:

"But now, I believe this our land reforming parliament, largely freed of the interests and the powers of that historic perverting hegemony, has the opportunity - and indeed I would say the obligation - to look at this issue again: and in particular to consider and investigate the policy known as land value taxation. It is an idea which sits at the heart of the emerging new global green thinking....

"I believe that a transformation of our public revenue system - through the simple yet radical introduction of land value taxation by this Parliament - will be an essential and fundamentally important step in the cultural, economic, environmental and democratic renaissance of Scotland. You never know: it might help change the world."

SOUTH KOREA

TOP POLITICAL APPOINTMENT

Joung-Woo, editor of the new book "Rethinking Henry George a Century Later", has been appointed as head of the Economic Subcommittee of the transition team for President-elect Roh Moo-Hyun. The presidential

election for South Korea was held on December 19th and Roh won it by a narrow margin with young, progressive and enthusiastic supporters. The committee will work to formulate policy and ideology and make specific plans for each ministry to carry out Roh's key pledges until Roh's inauguration in late February. Korean Georgists are looking forward to seeing Georgist elements in Roh's new administration.

VIETNAM

GOVT. RE-REGULATES LAND PRICES

From the Vietnamese News Service comes this report:

The Government has its task cut out in formulating a pricing framework for urban land nation-wide with prices already soaring beyond the ceilings set by a draft decree, especially true of big cities like Ha Noi and Saigon. (*So-called*) experts welcome the decree as one that would "bolster" the real estate market.

The draft decree divides urban land into five broad categories each of which has five different classes of streets. Minimum and maximum prices of the properties on these streets are then evaluated on the basis of their specific location - those that face the main street or located in remote alleys and so on.

The prime locations will then be those that are located in the heart of cities with well developed infrastructure that is most suitable for commercial purposes. The minimum and maximum price of land that falls in the first category of streets and location has been fixed at VND2 million (US\$137) and VND40 million (\$2,740) per sq.m respectively. Correspondingly, land in road category V and location category V will be worth VND10,000 (\$0.70) and VND250,000 (\$17) per sq.m respectively. However, the actual price of land in some inner districts of Saigon has already surpassed

maximum prices proposed by the Government.

According to Vo Dinh Quoc, director of property investment at the Asia Commercial Bank, the maximum land price of VND40 million a sq.m is "quite reasonable" since many commercial quarters in HCM City could attract much higher values.

He adds that it is not easy to buy a house or a plot of land in the city's central district. "Owners of houses in busy streets such as Le Loi Boulevard, Nguyen Hue Avenue and Le Thanh Ton Street are unlikely to sell up even if offered more than VND40 million a sq.m."

But (*so-called*) experts are generally agreed that the new decree will clear many obstacles and give a fillip to real estate business. They also note that it creates a legal framework for more rational land compensation that has to be paid for clearing sites for infrastructure projects by narrowing the gap between face value and market value.

Those who want to transfer land will also not hesitate to complete due procedures because the ceiling prices have been legalised by the Government, they say.

LATIN AMERICA/VATICAN

PUSH FOR CHURCH REFORM

Prosper Oz recently received an extremely encouraging set of documents from the Miami- & Buenos Aires-based Institute for Economic Training for Latin America, which is gently pushing the Vatican's Council for Justice and Peace to produce an encyclical on the land question rent. How's this for a terrific axiom, emboldened as a bannerhead to begin their case to the Vatican? -

"The Economic Rent of Land is an invisible creation of God and constitutes the fundamental piece where is settled the healthful structure of a Nation."

These guys have really “seen the cat”, and have presented a powerful theological, economic and social argument. A little is lost in the translation from Spanish, but it’s still worth quoting this wonderful passage (their underlining):

“The correspondent to land properly is known as economic rent and is expressed in the larger value that land acquires day after day with the population density and the joint work of all inhabitants, made at private and public levels. Therefore, this economic rent is created by the society itself and constitutes a true National Fund the Providence has disposed to support all public expenses in an efficient manner, without harming the right of property and without necessity to resort to traditional, ominous and perverse taxes that confiscate fruits of labour, investment, production and all others derived from the creation of richness in general. All in accordance with the natural law that prescribes: ‘To each one what belongs to one, to the society all what is of the society’.

“If the true right of private property is found on human labor, it is important therefore to distinguish between inalienable individual property of the fruits of labour and investments of men, and social property of what the Providence established as a Natural Fund: the economic rent in question, a true good of the land and a dividend or community credit for usufruct of all men without distinction. In other words, this rent is an invisible creation of God and constitutes the fundamental rock where is settled the healthful economic structure of a nation. This is the essential keystone for the solution of the social question, the eradication of poverty and unemployment, just as the defeat of speculation and inflation.”

UGANDA ANOTHER AFRICAN BREAKTHROUGH

In December, the Natural Resources Committee of the Ugandan

Parliament recommended that all the land in the country be titled and that the government introduce laws that land tax be payable by landowners. The committee discussed the Land Amendments Bill and agreed that the land issue is very contentious and requires both political and technical solutions. It also agreed that the land tax would improve on record keeping and improve on the relationship between the landowners and the squatters. They said the principle should be subject to thorough research before implementation. The proposals are meant to solve the intricate relationship between the customary landowners and the landlords. Said a spokeswoman, “We need a comprehensive land use policy which will help the Government take political decisions.”

INTERNATIONAL WORLD BANK SEES THE CAT?

[Ed: Will wonders never cease?! Here’s a snippet from: World Bank Publication Announcements No 3155 – 3158 headed: “Generating Public Sector Resources to Finance Sustainable Development: Revenue and Incentive Effect” (my emboldening)]

“Ensuring that sufficient resources will be available to finance the internationally agreed upon development goals was at the heart of the discussions at the World Summit on Sustainable Development held in 2002 in Johannesburg. In order to make financing mechanisms more effective, resources will have to come from both the public and private sectors, and innovative approaches will have to be designed.

”This specific objective of this book is to explore potential avenues for generating more resources for the public sector to invest in sustainable development. The first half considers ways to release existing resources through a variety of public sector actions. **The second half of this book focuses on ways to produce new**

financial flows by capturing a greater share of the rents from natural resources and by instituting green levies.”

[And the following is from the abstract from a World Bank report entitled “The Role of Natural Resources in Fundamental Tax Reform in the Russian Federation” by Benoit Bosquet]

“The Russian Federation has one of the richest natural resource endowments in the world. Despite their importance in the Russian economy, natural resources do not contribute as much as they could to public revenues. Large resource rents (excess payments or above normal profits generated by natural resources in scarce supply) are dissipated through subsidies and wastage or are appropriated by private interests.

“Failure to tax this rent means levying taxes elsewhere (on capital and labor) to sustain revenues, thereby depressing investment and employment, or foregoing potential revenues. Failure to reinvest rent means that Russia perpetuates the tradition of exporting low value added raw materials and excessive capital outflows and retards its transition to sustainable economic development.

“A more appropriate natural resource taxation system would enhance the fiscal role of natural resources and improve incentives for resource conservation and environmental protection.”

NEW ZEALAND ROCKETING LAND PRICES

While rising land prices continue to strangle economic activity and fill the hearts of would-be EarthSharers with despair, the *New Zealand Herald* of 11 Dec. welcomed this new surge of madness. Auckland’s house prices rose, on average, by NZ\$44,000 in the 5 months to November, equating to an average price rise of \$289 per day.

September, it was reported, was the single "best" month, when the average Auckland house **increased in value by nearly \$500 per day!**

Real Estate Institutes invariably describe such movements as "robust" and "healthy", but REI president Graeme Woodley made a truly bizarre remark, worrying that the latest Auckland figures might put some buyers off. (*As if they wouldn't!*) He then added, "It would be a shame if the average New Zealand first-home buyer thought prices were escalating to that extent."

UNITED KINGDOM GREENS: LVT FOR HOUSING CRISIS

More and more Green Parties worldwide are explicitly calling for Georgist economic policies. Paul Brandon of the Henry George Foundation (UK) notes this recent example:

With house prices rising at an unsustainable 30% a year, the Guardian newspaper asked six experts what they would do to control speculation and make housing more affordable. Only Xanthe Bevis, the Green Party housing spokesman, identified land speculation as the crucial factor, and called for an end to private profiteering in the housing sector.

Said Bevis, "To address the issue of inflated prices of land and speculation, we propose a land tax, to be levied and spent locally. Investment in building should enrich the whole community in which the house is situated. Something should also be done about using empty houses. There should be tax breaks for refurbishment, and massive regeneration needs to go on in areas where there are empty houses..."

The entire Guardian article is on the WWW at www.guardian.co.uk/business/stor/y/0,3604,854705,00.html

NICARAGUA H.G. SCHOOL FORGES ON

Paul Martin reports that The Instituto Henry George (Managua, Nicaragua) is that much closer to their goal of building a national consciousness of the Georgist socio-economic analysis and remedy in Nicaragua:

2003 should be a difficult year economically for the majority of Nicaraguans who are seeing speculative land prices drive up the cost of living substantially while salaries remain at a minimum of survival. IHG hopes that this ongoing crisis situation may make more people ready to look at the alternative analysis and solution which IHG offers.

To date, the IHG's "Comprender La Economía" course and contacts with influential leaders have continued to build stepping stones toward more national awareness of the Georgist paradigm. For instance, more and more often we read/hear quotes of leaders who are now using some of our concepts and terminology in reference to the issues of common property rights vs. privatization of natural monopolies. IHG expects to impart 8 CE courses in 2003 to 600-800 students, as well as a series of workshops to groups of influential leaders in various fields. We also hope to produce a CE video for national distribution this year.

Enjoy your visit to our website!
www.ibw.com.ni/~ihg

"Because the land monopolist has 'gotten in on the ground floor', the cost of his demands are felt throughout the world economy. Every shop, every house, every factory and workplace stands on land which has to be bought or rented from the monopolist. Every manufactured item is made from raw materials whose cost incorporates the rental of the land they were produced from and/or extraction rights. Every service industry uses manufactured items and a workplace. All food is grown in the monopolist's soil. Every single time money changes hands, it includes a handout for the monopolist. A society which allows the land to be kidnapped from under its feet in this way cannot honestly claim to represent freedom, economic or political. Its people are a crop, harvested to the bone by the privileged few in every nation." - Steve Wall

SHORT SHOTS



from Geoff Forster

TO BE EXPECTED

The Australian Taxation office is cracking down on 400,000 citizens suspected of claiming excessive allowances ("The Age" 13/12/02). With the complex, cumbersome tax regime operating in Australia, such claiming is not surprising. "The Age" editorial, commenting on this, also remarked on the burdens imposed on small businesses by the GST. All this of course illustrates the need for the rational Georgist alternative for revenue. But the chances of the mainstream media seriously considering this seem very slim.

"TRUSTING" THE RICH

"Costello's trusts crusade a failure", reported "The Age", on December 13. High-income individuals set up trusts to hold asset-producing income, which can then be channelled to family members with lower marginal tax rates. Some trust arrangements can also avoid tax. Again, with a Georgist revenue system, such complexities are avoided. The report explained that the anti-trust legislation had been abandoned.

You are mere **LIGHT-GREEN ROYALISTS!**

Your editor sent this provocative accusation to the Victorian Greens email discussion list on January 29. It seemed to work – it sparked a flurry of replies, all positive inquiries about Geoism

It's been a few months since I contributed to this forum, so I'll here get a few things off my chest. I'm feeling very frustrated and disappointed with The Greens – they don't go anywhere near far enough in terms of environmental sanity or social justice (hence the accusatory title). This assertion deserves explanation.

I'm a keen Greens supporter and member who lives (as far as practicable) a low-impact lifestyle in The Dandenongs. I've also been long committed to a small but dedicated organisation which should be the natural ally of The Greens. The principle aim of EarthSharing (also known as Prosper Australia) is the full collection of charges on all natural resources (nowadays referred to as

eco-taxes or Green Taxes). The following claim is probably news to many of you, but such a scheme of public finance has been advocated by some of the greatest philosophers and social reformers for centuries, but it was a 19th-century radical American economist named Henry George who elaborated most extensively the full details and consequences of such a policy.

"So what's your beef?" I hear you say, "The Greens' macroeconomic policy proposals are already centred around the replacing conventional taxes with eco-taxes!"

No they ain't. There's a huge blind spot in The Greens perspective, for Greens' policies effectively don't consider LAND to be a natural resource worthy of taxation! In one form or another, Henry

George's writings on the need to tax land values was preceded or endorsed by various biblical prophets, Carlyle, Churchill, Einstein, Franklin, Aldous Huxley, Jefferson, Lincoln, Locke, J.S. Mill, Paine, Penn, Rousseau, Bertrand Russell, Adam Smith, Spencer, Spinoza, Sun Yat Sen, James Tobin, Tolstoy, Twain, Voltaire, Winstanley, F.L.Wright and many more. Just how this wisdom has been lost sight of is a long – too long for this forum – and tragic story.

"There's a huge blind spot in The Greens perspective, for Greens' policies effectively don't consider LAND to be a natural resource worthy of taxation!"



An equal share in the careful use of land and other natural resources should be every person's equal and common birthright. No-one created these natural resources – they are the gift of Nature/The Universe. Yet (incredibly, when you've seen things from an EarthSharing perspective) The Greens have left land out of their philosophical stance.

The downline consequences of this omission are enormous, because the nature of land is like nothing else. Firstly, land is relatively fixed in supply – they're not making any more of it! The economic fallout, then, of our current system of outright land ownership is that, in the words of Churchill, that "land monopoly is the mother of all monopolies".

The second difference, which compounds the monopolistic power of the present (Green-endorsed!) form of land tenure is that there's an inescapable need that all have for land – at least, as long as the Law of Gravity holds. So, in less developed economies, the landless work under the oppressive terms dictated by the relatively few (usually) land owning families, or live as rag-pickers and the like. In Western economies, we mortgage ourselves as wage-slaves for 25-or-so years.

A third unique quality of land is that its locational value is not enhanced by the land-owner but by the community, principally due to the increase in surrounding skilled populations and by the provision of (tax-funded) infrastructure.

As John Stuart Mill wrote, "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."

I'm not advocating land confiscation, but land value taxation (LVT). The principle underlying LVT is pure, indisputable justice, viz: "If anyone

"If only Zimbabwe had instead collected the full LVT from white farmers!"

has exclusive use of Our One Earth, it's only fair that they reimburse the rest of society in direct proportion to the value of the land that they occupy." If only Zimbabwe had

instead collected the full LVT from white farmers!

Rather than being a deterrent to economic activity in the manner of conventional forms of taxation, LVT would encourage land to be put to its optimum use (to use

“Nowadays, every fool knows that farmers and other water consumers should pay the full price for the water they use in order to use it sparingly and sustainably – why the Hell don’t we do the same with land?”



less surface area, and to use it wisely). Exit land speculators and others who seek to profit from hoarding land. One couldn’t afford to now sit on land (here lies one of the keys to unemployment, for idle land ultimately leads to idle hands). This will lead to a much more compact cityscape, with less infrastructure and commuting having to leapfrog over unused and underused land. And there’ll be less urban land sprawling over agricultural land, and less farmland sprawling over what should be forest and wilderness.

When the community-created wealth (embedded into land values) is “recycled” back to the community through LVT, it’s suddenly affordable to invest in community-building, resource-efficient, shared infrastructure. For instance, investment in public transport infrastructure is currently enormously expensive, resulting in a thin network charging prohibitively-high fares. The underlying reason is because the investment effectively disappears into the black hole of landowners’ pockets – but when we collect the increased community ground rent (another name for LVT) from infrastructure-enhanced land values, suddenly such employment-creating, socially-desirable investment can be self-financing.

To continue with the briefest summary of the long list of benefits of LVT, for

agricultural land there’s a variation of the LVT assessment procedure in that it’s based on the maximum sustainable yield, which gives a strong financial incentive to farm organically. Nowadays, every fool knows that farmers and other water consumers should pay the full price for the water they use in order to use it sparingly and sustainably – why the Hell don’t we do the same with land? But we should make landholders pay (rent) on an annually-reassessed basis, rather than selling it off forever to the highest cash bidder (or someone with political connections).

LVT (even more so than other eco-taxes on air, water, logging & fishing rights etc.) is relatively simple to assess and administer. And compliance costs for us punters? – there are practically none! And, unlike conventional tax collection which pries into what should be our private matters, LVT effectively proclaims, “Your business is your business – what should be monitored (and very closely) is the use we make of the Global Commons.”

Furthermore, LVT simply cannot be evaded – land is the very last thing one can hide. With the LVT assessments by trained

“But we should make landholders pay (rent) on an annually-reassessed basis, rather than selling it off forever to the highest cash bidder (or someone with political connections).”



professionals being completely open to public scrutiny, it’s nigh-impossible for any corrupt undervaluations to take place.

What about the impact on our other main pillar, peace? With the value of land (and other natural resources) being returned to the

community, essentially there will be no incentive for territorial conquest. We cannot, and should not, personally profit by appropriating what should be our common inheritance – and bequest.

Most Third World aid also, in effect, presently disappears into landowners’ pockets. No more, if we choose economic sanity. And so on, and so on – I’ll let you join the other dots.

Heard enough, guys? Well, there’s much, much more – “Geoism” (the Law of the Earth) is such a breathtakingly paradigm that it can’t be placed on the conventional left-right spectrum. But there is one technical point that, though not easily summarised, is still worth making.

It is this. Unlike the miniscule (and misapplied) amount of LVT collected today through local government rates, Geoists advocate that the FULL amount must be collected for social justice, economic efficiency and environment wisdom. When that full amount has been phased in (over around 10 years, most of us advocate), something very different and absolutely wonderful would have happened to the market price of land in this rarefied world of economic sanity. Without going into the technical explanations for those who cannot yet grasp the reasons, it is simply that there will be no market price! Land (not the improvements on top of it) will

be free! There will still be auctions (essentially, for the buildings) and land titles (for security of tenure), but the capitalised rent of land (which today forms the market price) will no longer exist. Contrast this to today’s predicament wherein we’re effectively born onto a planet where all the seats are taken, with the result that we have to pay

someone else for permission to live!

So, just why won't The Greens adopt LVT? Well, we *are* now endorsing it – in the U.K., along with Friends of the Earth (Britain). In Oz, though, there seem to be 3 main reasons why things are so slow:



LVT effectively proclaims, "Your business is your business – what should be monitored (and very closely) is the use we make of the Global Commons."

- it's just such an immense to turn the whole economic and social system the right way up, compared to the alternative of implementing relatively-easy palliatives
- many Greens just don't get it (which is quite understandable – it really does require a quantum leap in understanding)
- intellectual conservatism in the way that some policy-makers want to wait until something new is well-established before they'll endorse it.

To circle back to my opening accusation, the Greens here are a pale shade of Green in that, by default, they endorse the perpetual outright ownership of the very

The Greens here are a pale shade of Green in that, by default, they endorse the perpetual outright ownership of the very earth itself because someone can hold up a bit of paper on which is written "Land Title"!

earth itself because someone can hold up a bit of paper on which is written "Land Title"! The resultant litany of environment abuses go far beyond what has merely been outlined here.

Secondly, The Greens are Royalists in that they effectively endorse the immense monopolistic privileges inherent in outright land ownership, and which lead to increasing disparities of wealth. Forget about the handful of landowning families in the Third World (most notoriously in the Philippines and Latin America) or the dukes, lords, barons and earls of the Old World. Look at what's happened in Oz with our so-called property boom in the last 6 years – prospective home owners now despair even further as they've thereby become even more beholden to former generations. LVT would, of course, completely eliminate this outrageous injustice – and The Greens, by a sin of indolence, effectively endorse the status quo.

Perhaps I've been too tough of The Greens here – there are so many wrong to right and the whole economic madness is so impenetrable that The Greens can be forgiven. Despite my disappointments, I'm still a deeply-committed Green and am confident that their star will continue to rise.

If my words are difficult to follow, then simply listen to words of countless indigenous peoples who affirm that we belong to the Earth - the Earth doesn't belong to us.

Reclaim the Global Commons with LVT!

- Karl Williams

P.S. Like to know more? Email me (karlwilliams99@hotmail.com) your postal address and I'll arrange a free trial subscription to the bimonthly DEEP GREEN & COMMUNITARIAN 99-year-old EarthSharing journal which I edit, "Progress"

GIGGLES & GROANS

Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidise it.



TOP ECONOMIST VALENTINES

- * YOU RAISE MY INTEREST RATE THIRTY BASIS POINTS WITHOUT A CORRESPONDING DROPOFF IN CONSUMER ENTHUSIASM
- * DESPITE A DECADE OF INFLATION, I STILL DIG YOUR SUPPLY CURVE
 - * WHAT DO YOU SAY WE REMEASURE OUR CROSS-ELASTICITY?
 - * FURTHER STIMULUS COULD RESULT IN UNCONTROLLED EXPANSION
 - * TELL ME WHETHER MY EXPECTATIONS ARE RATIONAL
 - * LET'S ASSUME A RITZY HOTEL ROOM AND A BOTTLE OF DOM



Econometrics is the art of drawing a crooked line from an unproved assumption to a foregone conclusion."



One night a policeman saw a macroeconomist looking for something buy a lightpole. He asked him is had had lost something there. The economist said, "I lost my keys over in the alley." The policeman asked him why he was looking by the lightpole. The economist responded, "it's a lot easier to look over here."

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TAX PACK EXPANSION

From The Australian Financial Review 3/1/03

There's a lot wrong with the Australian tax system. Firstly, there's bracket creep. Brackets originally designed for the exclusive use of High Court judges and managing directors are now being gate-crashed by bus drivers on overtime.

Then there's the GST which is not a reform but a parallel universe of tax that doubled the compliance burden and also contributed to Canberra house *[sic]* prices booming as thousands more ATO staff were recruited to enforce compliance.

I recently dug out my 1970-71 tax return. What is now the Tax Pack then consisted of a four-page S form for employees and a four-page A form for everyone else. Those four pages contained all the instructions and response spaces needed to complete the return.

Thirty years later, Peter Costello's Tax Pack consists of three manuals containing 246 pages of quantum mathematics plus 16 pages of forms – not to mention the GST forms.

I can't wait for Peter to reform superannuation.

Graham Macafee, Latham, ACT

NEW APPROACH TO TAX RAISING REQUIRED

From The Australian Financial Review, 6/1/03, which included the cartoon reproduced here. Onya, David!

Graham Macafee's letter highlights what is wrong with the Australian tax system ("Tax pack expansion", AFR, January 3). Tinkering will not fix it - it would only add to the more than 8,500 pages of the Tax Act and to the 262 Tax Pack pages. What is required is a whole new approach to revenue raising.

An equitable, non regressive alternative would be to derive revenue from realistic user-pay community resource charges on the use of all finite, non renewable resources including land, forests, water, oil, gas, minerals and magnetic spectrum.

At least this would be fair. Where there are financial problems, government could assist by delaying the requirement to pay. The Victorian government Business Tax Review Committee 2001 reported "Land tax can also be viewed as a means of capturing benefits that have accrued over time to landowners through the provision of publicly funded infrastructure which is connected to or incidental to land (for example, public roads, gas power, water and telephone services)" and "The committee sees land tax as a relatively efficient form of taxation and a source of revenue that has been relatively under used, particularly in Victoria".

It has been calculated that a 7% annual charge on land valuations alone would equal the total revenue from all federal, state and local government taxes.

This alternative warrants serious consideration.

David Barkley, Box Hill, Vic

THE REFORM THAT WASN'T

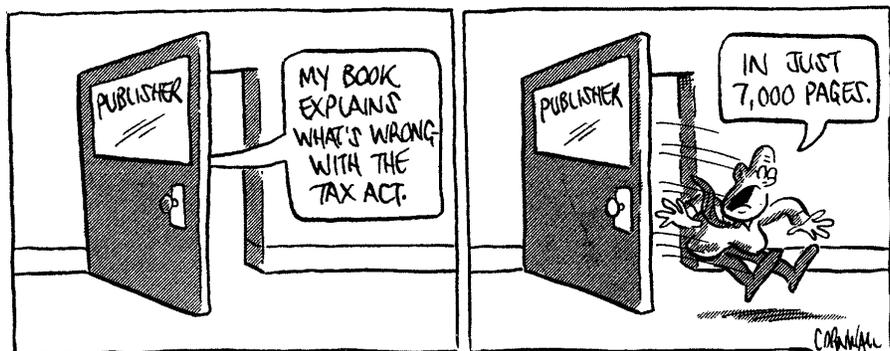
From the Australian Financial Review, 14/1/03

What a compliant lot we are!! Graham Macafee (3 Jan) shows, in his comments on the tax system over the past 30 years, where Australia has lost the plot. Instead of working for increased productivity, we work for the tax collector, with most of us now requiring a 'tax agent' to guide us through the maze of complexity. 3 Tax Packs, and 262 pages, is ridiculous by any standard. But try the Tax Act itself, if you can lift it!

The GST has greatly increased compliance costs for business, but has not stopped the onward march of bracket creep, which will put ordinary workers into the top bracket within a year or two.

We should be angry! We have been let down by the very people who promised reform. Real reform would examine ways to raise public revenue without curtailing effort and productivity, and without inflicting prohibitive compliance costs on the taxpayer.

The answer is for us, as a community, to capture the rising price of land for public revenue. We, the community, generate the increase in value by building infrastructure, by providing services and amenities, pursuing cultural activities, and by being neighbourly to each other. It is our natural revenue. It could be used to pay for the things we so desperately need, like health and housing. By recapturing this value for the community, taxes that stunt jobs growth can be abolished. Then let the economy



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soar!! Real tax reform starts with the taxation of land values.

Leo Foley, Lenah Valley, Tasmania

TIME FOR REAL TAXATION REFORM

From The Age, 19/12/02

Peter Costello (*The Age*, 12/12) boasts that the “government introduced the largest cuts in personal income tax in Australian history”. What was not mentioned was that these same workers were slugged with the GST, a tax so difficult to administer that the Tax Office has been forced to wait three years before “rebalancing our approach to more active compliance”. So much for a reformed simple tax. Will we now, as a nation, give up the quest for a fair go for all and a revenue system which encourages honesty and work?

Revenue raised from land and natural resource charges would eliminate the problems of evasion, avoidance and collection inherent in the present system, and provide adequately for the government’s needs. The value of a natural resource charge should be considered before we add yet more complicated rules to the tax system in the fruitless fight to end rorts.

- Anne Schmid, Boronia

ECONOMIC CHALLENGES

From The Southern Peninsula Mail, 9/1/03

Four significant socio-economic challenges still confront us in 2003:

- An unacceptably high level of unemployment, underestimated in official figures.
- The increasing difficulty in affordability of housing (largely due to rising land prices).
- The growing gap between rich and poor (i.e. structurally caused, as distinct from differences in effort and exertion).

- The continual complexity and compliance costs in current taxation, despite the so-called “tax reform” with the GST.

None of the major political parties show any substantial evidence of addressing these issues.

I suggest that switching revenue largely from effort and consumption to that based on the value of land, location and natural resources could make a surprising difference.

- Geoff Forster, McCrae

TAX WHAT?

From the New York Times, 10/12/02

The column is right: Taxes are not the poor's best friend. Were Republicans to care about both efficiency and equity, they'd cut taxes from the bottom up, not the top down.

But talking tax rates and liability misses a more major issue: Tax what? Besides focusing on income and sales, let's put on the table the reforms of charging for pollution, extraction of resources and the exclusive use of prime locations.

And why not charge full market value for resource leases, broadcast licenses, utility franchises, monopoly patents and corporate charters? Recovering all these “rents”, in economese, enables government to provide essential services and cut taxes that impose collateral damage.

Jeffery Smith, Portland, Oregon

"THERE ARE DANGERS IN THE REAL ESTATE BOOM"

was the banner headline in the Hobart Mercury, 6/2/03, with a photo of a housing subdivision to further highlight this letter

The report that “Aussie tax rates are too high” (*Mercury*, 4 Feb) by respected commentators KPMG finally makes the

link that Australia cannot continue to tax productive activity and be a nation of home owners. Land prices have soared ahead of wages and even taxes in the past few years. There comes a time when the cost of land is so great that people even on high incomes cannot afford to purchase a house. KPMG reports that Sydney has reached that point, where workers need to earn \$70000pa to finance a modest home, with repayments at \$500 pw. With earnings at that level, they will pay half of their gross pay in income tax, plus their share of GST. That is, they will work 3 days per week for the government and 2 more for the bank! It is obviously not sustainable.

It also explains the rush of buyers in the Tasmanian real estate market. Mainland buyers are being forced out of their capital cities. But it is short-sighted to think that rising land prices here is good for Tasmania. We may reach the unsustainable point a little later than Sydney, perhaps another decade away, but our next generation will not thank us for being born into a place where all the seats are taken. Tasmanians do not, and will not, earn the dizzy amounts of the large capitals. The price-to-earnings ratio here will be worse than Sydney, and only those who have profited from the land boom by already owning property will get rich(er). Average Tasmanians will be much worse off.

The answer is between the lines in the KPMG report. Reduce taxes on productive activity (wages and sales), and capture the increases in the price of land for public revenue. Land price escalates because of its scarcity, and because the community’s combined efforts add value to it by infrastructure, parks, concert halls and, dare I say it, irrigation dams. Individual landowners receive an unearned increment, which could be captured and used to fund public services. It would also keep housing at affordable levels for the next generation.

Leo Foley, Lenah Valley, Tasmania

How I "Saw the Cat" (and became a Georgist)

by Maurie Fabrikant
(jazz pianist
extraordinaire)



Sometime in the late 1970s, probably in "The Age" – because I rarely read Melbourne's other papers – I saw an advertisement about economics that must have interested me sufficiently to react positively. I suspect that advertisement offered to send me copies of PROGRESS – for a small annual subscription or, maybe, at no charge – if I supplied my name and address. (The earliest edition of PROGRESS in my collection is dated February 1983 and the annual subscription then – for eleven, twelve-page issues – was \$5.00.) I decided to subscribe and I thus became a PROGRESS reader soon after.

At that time, there were three Editors – namely, Bruce Every, Geoff Forster and Alan Hutchinson.

Interestingly, all of them had a "science type" background. Bruce had a diploma in electrical engineering and the other two had bachelor-level science degrees; Geoff also had an arts degree. I felt an immediate affinity with these people because my own education and work-experience were somewhat similar; I had a diploma in mechanical engineering and several years' experience in a "scientific" area; namely, computer programming.

"the content of many of the articles printed, some of them contained ideas that ... were quite outlandish"

I found the magazine very interesting. It certainly contained views on economics and taxation very different from those that frequently appeared in "The Age". While I could understand – and agree with – the content of many of the articles printed, some of them contained ideas that – to me at that time – were quite outlandish. At least one of these outlandish ideas was that it was quite wrong to impose an income tax. To me at that time – and, quite clearly, many others right now! – it appeared perfectly reasonable that anyone who receives income is obviously able to – and actually should – part with some of that income in order to pay for those services that the community perceives are essential; for example the provision of police forces that do not charge directly for their services. (Police will attempt to locate your stolen car without you paying your \$50 – or whatever – per hour they spend!) At that time it didn't occur to me that such a tax causes all citizens – acting through Taxation Office staff – to commit theft by confiscating part of citizens' income. The fact that the proceeds were intended to benefit citizens generally cannot justify that theft. Consider the case of Robin Hood who forcibly took

money from the rich to distribute to the poor. Why were Robin Hood's actions believed to be criminal yet the taxation staff's are not? Why is income taxation thought to be an essential fundraising activity – and is very costly to citizens! – yet Robin Hood was not heartily thanked for doing the same thing ... at his own expense!?)

Not being satisfied to leave those outlandish ideas "up in the air", I wrote a few letters to the Editors explaining my difficulties. I very promptly received from Geoff Forster replies that contained explanations, explanations that provided all I needed. (I regret that I no longer have these replies; perhaps Geoff has copies or

perhaps copies are resting somewhere in Prosper Australia's archives.) In other words, Geoff Forster "showed me the cat" by providing answers that allowed me to convince myself of the essential truths contained in PROGRESS in contrast to the generally-accepted nonsense frequently printed in papers such as "The Age".

These replies were soon followed by a telephone call from Bill Pitt who was – I think – the President at that time. He invited me to attend a barbecue at his home – this was a sort of "End of Year" social gathering – and to become a member of the Henry George League (HGL) so that I could attend meetings of the Executive with a view to joining that body. My workload at that time was very high so I didn't attend the barbecue but I decided to pay for HGL membership and attend meetings.

Gradually, I became more conversant with Georgist ideology and started to read books on the subject. I

started with Henry George's first major work, "Progress and Poverty". Not being an expert in literature, I formed the view then – and haven't changed my mind since – that the information presented is wonderful but far too many words were assembled to describe it. One of the biggest shortcomings, in my opinion, is that nowhere does Henry George inform his readers exactly what steps must be taken to implement his method of raising revenue. Would it simply be a matter of a changeover that takes place on some stipulated date? A 100% solution applied instantaneously? When George wrote, the level of taxation was – by modern standards – minute and directly affected few individuals, it being paid mainly by importers (customs duties) and by manufacturers of specific goods (excises). It would, therefore, have been relatively easy to make the transition from the system that prevailed at that time to that which he advocated. Nowadays, however, taxation levels are enormous by comparison and directly affect nearly

"yet Robin Hood was not heartily thanked for doing the same thing ... at his own expense!?"

every citizen so the method of transition will be extremely difficult to implement if we wish to cause minimum disruption to citizens generally.



“The sad fact of the matter is that most of the people I know continue to be quite ignorant of Georgist matters – mainly because they won’t take the time to become conversant with it”

Next, I read “Social

Problems”. This contained yet more wisdom presented in a relatively attractive form. In fact, I was so favourably impressed with the book that I purchased several copies and gave them to friends, requesting that each should read the book then either:-

- Return it to me together with a note of explanation if they thought the book contained mainly nonsense; or
- Pass it on to another person – telling me their name and contact details – if they thought the book contained information of value.

Regrettably, most of these friends did neither; they admitted that they didn’t take the time to read it carefully. (The sad fact of the matter is that most of the people I know continue to be quite ignorant of Georgist matters – mainly because they won’t take the time to become conversant with it – and view my interest in Georgist ideology as some sort of aberration, something that wastes my time and that of others when I could be doing something else, possibly more productive and definitely of greater value.)

I read the addresses that Henry George gave at various times and places, addresses that were greeted by

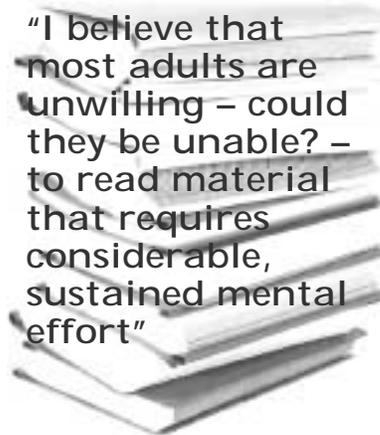
enthusiasm by those who heard them. From reports of the time – that is, for about one half of the last two decades of the nineteenth century – these addresses caused public halls to be filled and huge numbers to be turned away due to lack of accommodation. These addresses are well worth reading; Mark Hasted has presented them – with some additional information – in the book, “The Prosperity Paradox”.

I also read a most interesting short book entitled “Dictator – Democrat”. This has been abridged and adapted – by members of the Henry George Foundation (Australia) in 1934 – from the book “The Story of My Dictatorship” written by Lewis Berens and Ignatius Singer in England in 1894. The short version – I’ve never read the original – contains some easily understood answers to questions that are frequently asked by newcomers to Georgism. Definitely recommended reading!

I’ve read several other books written – mainly – by Australian authors. Names that come readily to my mind are Ray Brownlee, George Charles, Phil Day, Arthur Dowe, Alan Fairhall, George Hardy, Les Hemingway and Bryan Kavanagh. All of these books contain information additional to – and supportive of – that contained in “Progress and Poverty” and Henry George’s other works. As such, they are valuable additions to the literature but not one of them is a “best seller”.

Of those printed, most remain unsold. Even if they were given away, I suspect that most would remain largely unread. I believe that most adults are unwilling – could they be unable? – to read material that requires considerable, sustained mental effort.

On reflection, I believe that the major essential to “seeing the cat” is to have an open mind.



During our early development, we were presented with many ideas and – generally – we registered them as truths. In some cases the ideas may have been difficult to understand because they were abstract. In other cases they may even have appeared to be incorrect due to our lack of general knowledge at that time. Nonetheless, we generally registered them as truths if they were presented by those in authority – for example, by parents and other older relatives and teachers – especially if we held those presenters in high esteem. Thus our minds became increasingly stocked with information we believed to be true.

If we are subsequently presented with an idea that conflicts with one or more of those truths, we have a problem insofar as we must decide for ourselves whether:-

- The original idea is a truth and the new idea is nonsense; if we take this view, we are perfectly justified in rejecting the new idea; or
- The new idea is a truth and the original idea is nonsense; if we take this view, we should replace the old idea with the new one.

Whichever stance we take, we are forced to adapt ourselves to change. For some, it will be easier to simply reject the new idea giving as the reason that the new idea cannot possibly be correct because it conflicts with an old idea that was conveyed by a person who had great authority and respect. For others, it will be easier to jettison the old idea especially if it can be shown that those who held that idea did so simply because, at that time, no-one knew any better. Yet others will attempt to support both ideas even though they

conflict; this, surely, must be a powerful cause of stress because it is highly illogical.

As I have been a student principally of subjects that are based on logical thought, I am quite familiar with “the scientific method”. This may be generally explained by applying the three steps described below:-

1. Observe some related phenomena and propose some theory that fits all the observations made so far of these phenomena;
2. Using this theory, predict the outcome of some phenomenon not yet observed; and
3. Observe this new phenomenon to determine whether the actual outcome matches the predicted outcome; that is, whether it behaves in accordance with the theory proposed.



“I believe that the major essential to “seeing the cat” is to have an open mind”

If the new phenomenon does not behave in accordance with the theory proposed, the theory is definitely incorrect so it must be rejected. The next step is to return to step 1 to devise a new theory that fits all observations so far. NOTE that this method does not recognise exceptions to any rule. This method simply emphasises that, if an exception is detected, the rule is invalid so start at the beginning once more (Those who say, “this exception proves the rule” are obviously not relying on “the scientific method”!)

If the new phenomenon behaves in accordance with the theory proposed, it simply shows support for that theory so the theory may be retained. The next step is to return to step 2 to predict the outcome of some other related phenomenon not yet observed. NOTE

that this method demands continued testing until all conceivable tests have been applied. Only then can the theory be pronounced correct for all conceivable related phenomena.

It has taken me about twenty five years – admittedly of only part-time thinking – to progress from zero Georgist knowledge to that which I presently have. Do I know it all? Hardly! If I did, I’m sure my success rate at persuading others to embrace Georgist ideology would be far better. Provided we have open minds, we will continue to learn ... perhaps to the stage where we succeed in persuading sufficient citizens to demand the changes we believe necessary.

****ooOOoo****

“Thatcherites fondly lament the ‘dependency culture’ which saps initiative, self respect and their own higher tax-band incomes, sanctimoniously screwing the faces of the helpless beneath their well-shod heels, whilst the loyal ‘opposition’ relish their own crack at the whip far too dearly to acknowledge the ultimate dependency upon which this society is founded, and through which silently draws its lifeblood. Constitutionally embedded between our feet and the ground we stand, lies the true, insatiable, parasite, gobbling wealth, initiative and self respect from all but our wealthiest citizens, who are so by and large, solely by virtue of being the very stomachs behind its myriad mouths. The space between the leech and the whip is a very familiar one – it’s know as work.”
- Steve Wall

Quotes of note

“We need a big debate on different kinds of taxation, to talk about how corporations are freeloading on public services and getting tax breaks while taxes are falling on workers and smaller businesses. We need to open a debate about land taxation and Henry George, to tax bad things, not good things, and not to tax people who go to work every day.”

- Ralph Nader

“Men did not make the earth ... it is the value of the improvement only and not the earth itself, that is individual property Every proprietor owes to the community a ground rent for the land which he holds ... from this ground rent I propose to create a National Fund, out of which there shall be paid to every person a sum.”

- Thomas Paine

“Anyone who really fears a revolution in America ought to re-read Henry George’s “Progress and Poverty”, one of the great social documents of our time. I have never know his premises to be shaken in the least.”

- Kathleen Norris

“If all men were so far tenants to the public that the superfluities of gain and expense were applied to the exigencies thereof, it would put an end to taxes, leave not a beggar, and make the greatest bank for national trade in Europe.”

- William Penn, who instigated Philadelphia's first tax law 30/1/1693:
“Put to the vote: as many are of the opinion that a public tax upon the land ought to be raised to defray the public charge, say ‘yea’. - Carried in the affirmative, none dissenting.”

“The logical end of mechanical progress is to reduce the human being to something resembling a brain in a bottle.”

George Orwell

DON'T LET THE BANKS STEAL YOUR LAND!

A response to Caplin and Joye



The federal government's concern about "housing" unaffordability has been to consider a right-wing proposal for bank partnership/equity in home equity. Gavin Putland dismantles this claptrap

The notorious profitability of banks is not surprising -- it's a bit hard not to make a profit when you borrow money from customers and charge them fees, then lend the money to other customers and charge them interest.

But one thing bothers the banks: their assets are always depreciating.

If you have borrowed money from a bank to buy a home, the bank's asset (your debt) is depreciating because the money that you owe is continually devalued by

inflation. Meanwhile your asset (the home) is usually appreciating because the increase in value of the land (caused by population growth, economic growth and improvements in services) is usually faster than the decrease in value of the building

(caused by wear and tear and obsolescence). Under the usual mortgage arrangement, if you default on the loan, the bank may seize the home (the **collateral**) and sell it. But if the proceeds of the sale exceed what you owe, including additional charges for the default, the excess is refunded to you.

Thus, under the current system of housing finance, the bank has no way to claim a share of the increase in the value of your home. But if two gentlemen named Caplin and Joye have their way, that situation is about to change.

THE PROPOSAL

Andrew Caplin, a professor of economics at New York University, and Christopher R. E. Joye, a Medallist in economics and finance from the University of Sydney, have joined forces to produce what they call *A proposal for global housing finance reform*. Their preliminary report, published by the Menzies Research Centre in Australia (www.mrcld.org.au/) is in two parts, called a *Primer* [1] and *Q&A* [2]. Caplin & Joye introduce their idea with a typically modest sales pitch:

We describe an exciting innovation that would radically reduce the costs of home ownership, dramatically increase the average family's disposable income and expected wealth at retirement, and present a panacea of sorts for the problems of a rapidly ageing population [*Primer*, p.4].

The "exciting innovation" works like this:

(a) Instead of buying a home all by yourself, you buy it in partnership with an institutional investor. You buy your share using a bank loan under the usual

mortgage arrangement [*Primer*, p.10]. The institutional investor does not charge rent for the use of its share [*Primer*, p.11], but takes a cut out of the resale price if and when the home is sold again [*Primer*, pp.5,10].

(b) You are the **Managing Partner (MP)**. You live in the home and have the decision-making rights almost as if you were the sole owner [*Primer*, pp.5,11]. The institutional investor is a **Limited Partner (LP)** and usually remains passive [*Primer*, p.5].

(c) The LP's asset, called a **Partnership Contract**, may be sold to a third party. Institutional investors (e.g. insurance companies and super funds) buy up Partnership Contracts, hold them in portfolios, and issue shares in them [*Primer*, p.12; *Q&A*, p.7]. These shares, and perhaps also

"Under the current system of housing finance, the bank has no way to claim a share of the increase in the value of your home. But if two gentlemen named Caplin and Joye have their way, that situation is about to change"

derivatives and futures thereof, are traded on the stock market [*Primer*, p.16; *Q&A*, p.12].

(d) By agreement with the Limited Partner, you can buy out part or all of the LP's interest in the home [*Q&A*, p.10].

(e) You can sell part of your share to the existing LP or a new LP, provided that your share in the home does not fall below a certain

limit, say 25 percent. You can sell the whole property on behalf of both partners, provided that the LP has a chance to make a counter-offer [*Q&A*, pp.10-11].

From this description, two of the claims of Caplin & Joye seem plausible enough. Surely the proposal would "radically reduce the costs of home ownership," because you get most of the benefits of full ownership for the price of part ownership. And surely it is a "panacea of sorts" for the ageing population, because point (e) allows retirees to sell their homes piece

by piece and live on the sale proceeds while continuing to occupy their homes.

What about the claim to “dramatically increase the average family’s disposable income and expected wealth at retirement”? This is based on the fact that different people assign different values to the same asset. If I sell you a car for \$5000, you must want the car more than you want the \$5000, while I must want the \$5000 more than I want the car, so that we both expect to be better off after the transaction. This mutual gain, arising from a more efficient allocation of



“The proposal would ruin the investment value of owner-occupancy and lead to higher prices, higher rents, higher interest rates, higher unemployment, and a takeover of the housing market by the financial industry”

assets, is called a **gain from trade**.

Under the Caplin-Joye scheme, gains from trade arise from the different aspirations of owner-occupants and institutional investors [*Primer*, p.11; *Q&A*, p.7]. Two assets are said to be **correlated** if their values rise and fall together. Prudent investors want **diversity** in their portfolios; that is, they want their various assets to be **uncorrelated**. Hence the Limited Partner’s share is not worth much to the Managing Partner, because it is perfectly correlated with the MP’s share and gives no diversification benefit; but it is worth much more to the LP, because it is less correlated with the LP’s other assets. Moreover, the LP sees its share purely as an investment, whereas the occupants see their share as providing a place to live while leaving some spare income for present needs (especially raising children) or investment in assets that are *not* correlated with the home. These different viewpoints allow gains from trade.

So Caplin & Joye are claiming that as these gains from trade work their way through the market, they will be divided between increased consumption and increased savings. That also seems plausible enough.

So where’s the catch? There’s more than one. In the following sections I shall explain how the proposal would ruin the investment value of owner-occupancy and lead to higher prices, higher rents, higher interest rates, higher unemployment, and a takeover of the housing market by the financial industry.

CATCH 1: INSTANT LOSS OR FORFEITED GAIN

If you buy an investment property, you expect to receive a double benefit: the periodic rent from the tenant(s), plus a **capital gain** when you eventually sell the property; the capital gain is the margin by

which the resale price exceeds the purchase price. Likewise, if you were to buy (say) a half share in an investment property, you would expect to pay half the purchase price and receive half the rent and half the capital gain; that is, you would expect your percentage shares of the purchase price, rent and capital gain to be the same as your percentage share of the **equity** (ownership).

Under the Caplin-Joye scheme, however, your Limited Partner will not charge rent for its share of the equity, but will only get a share of the capital gain. But why would the LP invest in your home for a capital gain alone, when it could invest in some other property and get a capital gain plus a rental stream? Clearly it wouldn’t -- unless you offered some compensation for the lack of rent. And the only

compensation you could offer would be a *higher* share of the capital gain.

Suppose your LP contributes X percent of the purchase price. If the LP were to charge you X percent of the rental value of the home, it would also claim X percent of the resale price, thereby obtaining X percent of the capital gain. Given that the LP is not going to charge rent, it must extract a higher fraction of the capital gain when the home is sold. It could do this by

- (i) claiming Y percent of the resale price, where Y is greater than X , or
 - (ii) claiming X percent of the purchase price plus Z percent of the capital gain, where Z is greater than X ,
- or some compromise between the two. (The Caplin-Joye documents speak in terms of resale prices rather than capital gains, suggesting that option (i) is more likely.)

Under option (i), you obviously lose more in the resale than you save in the initial purchase. That may seem fair because the partnership lets you save on rent or interest (compared with renting the home or buying it by yourself). But while your savings take time to build up, your institutional partner *instantly* acquires a higher share in your home than it pays for, so that part of the value of the home is instantly transferred -- without compensation -- from your family to the institution. So what happens if you are forced to sell early? If you are to break even on the purchase and resale, the resale price needs to be higher than the purchase price, to compensate for the fact that your

“So that part of the value of the home is instantly transferred - - without compensation -- from your family to the institution”

percentage of the resale price is smaller than your percentage of the purchase price. If you buy and resell at the same price, your LP gains and you lose. If you resell at a loss -- which is especially likely in the case of a forced sale -- your LP is cushioned by its inflated share of the resale price, while you get the double whammy: a smaller share of a lower price.

Under option (ii), part of the growth in value of the land, which traditionally would belong to your family, will now be pocketed by the institutional partner. Moreover, considering that the institution is in business to make a profit, and that the high cost and absolute necessity of housing give institutions considerably leverage over individuals and families, you can be sure that the partnership arrangement will cost you more in capital gain than it will save in rent or interest. And what if you have to sell at a loss? Will your institutional partner bear *Z* percent of the capital loss, just as it would take *Z* percent of any capital gain? Silly question.

Concerning capital gains, some social reformers say that any increase in the value of a piece of land (i.e. the *raw* land, excluding buildings, earthworks and other improvements) should *not* belong to the owner of the land, because the increase is conferred by the surrounding economy and not by any action of the owner. But if this is true, the increase should belong to the community that creates it -- not to some financial institution! That is, the increase should be used for public revenue in lieu of some or all of the taxes that you now have to pay; and the owner of the land, like any other taxpayer, should benefit from the expenditure of that revenue. No philosophy of social reform, other than pure greed, would hold that the increase in value of your share of a piece of land should be taxed by some institutional investor taking advantage of your inability to borrow the full purchase price. Much less can it be argued that part of the *present* value of your share should be forfeited to the same institution.

CATCH 2: HOME PRICES WILL RISE

Buy land. They've stopped making it.
Mark Twain.

The formation of home-buying partnerships between families and institutional investors would greatly increase the pool of funds available for purchasing homes. In particular, it would greatly increase the pool of funds available for buying residential

land, without doing anything to add to the supply of land. Consequently land prices, hence home prices, would rise.

"Will your institutional partner bear *Z* percent of the capital loss, just as it would take *Z* percent of any capital gain? Silly question"

To compensate for the price rise, first-



time buyers would have to purchase smaller shares of the equity in their homes, and hand over larger shares of their resale prices or capital gains to the institutional partners.

Furthermore, some institutional investors would divide their equity into tradable units and sell them on the stock market. As a result, stock-market players would indirectly enter the residential land market, so that the pool of money chasing residential land would become still larger, and prices would become still higher, and first home buyers would have to purchase still smaller equity shares and surrender still larger fractions of their resale prices or capital gains.

You can see where this is leading. The family home, which used to be the little person's investment, is to be taken over by the big end of town, and most of the capital gains that used to accrue to the little people are to be appropriated by stock investors - while the little people, as far as possible, will still bear the capital losses.

In the short term, the increase in funds available for housing would also increase the price of construction. But, as Caplin & Joye correctly explain [*Primer*, p.15; *Q&A*, p.11], this would be *only* a short-term effect. In the longer term, the higher prices would attract new

builders into the market and induce existing builders to increase their capacity, until the competition among builders caused profit margins, hence prices, to return to normal.

This self-correcting mechanism does not work for land prices, because the supply of land cannot be increased.

The total amount of land in the world is fixed by nature, as is the total amount of land with any particular natural quality. The total amount of land in a country or state or municipality is further fixed by political boundaries. The total amount of land legally available for any particular purpose is further fixed by government regulations. Hence, from the viewpoint of the market, the supply of land is fixed, and any increase in effective demand (e.g. due to increased capacity to pay) must be reflected in higher prices rather than increased supply.

"Reclaimed land" does not invalidate the argument, because the opportunities for reclamation are limited -- just like the supply of natural land. For economic purposes, reclamation is simply an expensive form of development.

While increasing effective demand may increase the amount of land *actually used* for a particular purpose (e.g. housing), it does not increase the total supply. Even if land prices at the urban fringe remain fairly constant (in real terms) as the effective demand increases, the urban fringe does not stand still. As the demand for housing grows, the fringe moves outward, and a piece of land that was once on the fringe becomes outer suburban, then middle suburban, then inner suburban, and its price continues to rise.

"The increase should belong to the community that creates it -- not to some financial institution!"

Thus, under the Caplin-Joye plan, the long-term real increase in home prices would be entirely due to higher land prices.

Symptomatically, Caplin & Joye do not discuss the impact of their proposal on land prices except to note that

“there is still a lot of comparatively cheap land available”. Of course there is; as long as the population is sustainable, there will always be an urban fringe with “comparatively cheap land” beyond it. This land is cheap because nobody wants it purely for housing, because it is too far from jobs and services. If Partnership Agreements make this land suitable for housing (e.g. by releasing funds for private transport), the land will become more desirable and its price will consequently rise. Then, because differences in amenity must be reflected in price differences, prices in better locations must also rise.

Moreover, the land market has the characteristics of a collectors' market: every piece of merchandise is unique and irreplaceable, and today's exorbitant price is at least partly supported by the expectation that some other fool will pay an even more exorbitant price tomorrow. Give the fools more money and they will bid up prices proportionally.

Another possible reason why land prices must rise is this. If, as Caplin & Joye claim, the experience of the Managing Partner is “much the same” as that of a sole buyer in the present mortgage market [*Primer*, p.11; *Q&A*, p.6], why wouldn't the Managing Partner pay much the same price for that experience? That is, why wouldn't the MP pay much the same price for a share of the property as a sole buyer now pays for the whole property? In the case of the house (i.e. the building, as distinct from the land), that question is readily answered: because construction is a competitive business, the price of a building is linked to the cost of construction. But in the case of the land -- a natural resource in fixed supply, with no cost of production -- the price is determined on the demand side, and there is nothing to stop the price from rising to cancel the effect of the partnership. (If, on the contrary, the MP's experience is *not* comparable to

that of a sole buyer -- e.g. because the MP would be surrendering too much of the capital gain to an institutional investor -- then why are Caplin & Joye pretending that it is comparable?)

Obviously higher land prices tend to be welcomed by those who already own property, but not by those who still hope to become owners. In other words, higher land prices widen the gap between the haves and the have-nots.

“Needless to say, such a price rise would flatly contradict the first stated purpose of the scheme, which is to make home ownership more affordable!”

CATCH 3: RENTS WILL RISE

Families seeking homes face a choice between buying and renting. If one option becomes more expensive, demand shifts away from it and re-balances the prices. Similarly, owners of investment properties have a choice between selling them and putting tenants in them. If one option becomes more attractive, owners become more willing to offer that option, and the shift in supply re-balances the prices. Thus there is a nexus between home prices and residential rents. As the Caplin-Joye proposal would raise prices, it would also raise rents.

As landlords tend to be richer than tenants, anything that raises rents widens the gap between rich and poor (and therefore tends to be welcomed by the rich).

CATCH 4: INTEREST RATES WILL RISE

When property owners, including ordinary home owners, see the value of their land increasing, they feel richer and decide to spend more. Some of this spending is financed by borrowing against increased home equity. Financial institutions run advertisements encouraging this practice. Not only would the Caplin-Joye plan cause a new boom in land values, but the architects of the plan state explicitly that the partners must be able to borrow against equity held in the home [*Primer*, p.11; *Q&A*, pp.6-7].

Unfortunately, borrowing against increased land values does not produce an instant matching increase in supplies of goods and services. The result, at least in the short term, is more money chasing the same goods and services, which is the classical recipe for inflation. The increase in rent caused by the increase in land values is also inflationary because it increases the cost of living and contributes to wage demands.

The central bank fights this cause of inflation the way it always does -- by raising interest rates.

CATCH 5: JOBS WILL BE LOST

High interest rates fight inflation in two ways: by discouraging new borrowing for new spending, and by squeezing the cash flows of employers (through higher debt-servicing costs and reduced demand for products), thus increasing unemployment and reducing pressure on wages. This connection between inflation and unemployment is expressed in the so-called **natural rate of unemployment**, which is the minimum unemployment rate consistent with non-accelerating inflation.

The central bank's job is to adjust interest rates so as to keep inflation within certain bounds -- in other words, to maintain unemployment at the natural rate. As the Caplin-Joye proposal is inflationary, it would increase the natural rate of unemployment, forcing the central bank to raise interest rates until the actual rate of unemployment matched

“So that the pool of money chasing residential land would become still larger, and prices would become still higher”

the new natural rate.

Higher interest rates make it more attractive to store money in the bank (i.e. to **save**) and less attractive to

A Bit of History

Besides the partial implementation of Site Revenue in Australia as traversed, other attempts have been in Denmark, Singapore and Taiwan. After lobbying for three years, in 1956 the Danish Justice Party secured a promise (largely unfulfilled) of taxes on increments in site values for its participation in a coalition government. Land speculation ceased immediately and all investment went into productivity. By 1960 a big deficit on the national balance of payments was turned into a surplus and the large foreign debt was reduced to one-quarter. Interest rates and rents diminished and there was nearly full employment. Inflation halted and there was industrial peace. Then, at the 1960 general election huge propaganda-expenditure by rich landlords and a change in the voting system halved support for the party, which lost its balance of power and the advances collapsed.

Resulting from the influence of Dr. Sun Yat Sen, taxes on increments in site values were, after 1950, in large part collected as the centrepiece of a strategy for economic recovery in Taiwan. As a result, rural incomes increasingly equalized and land came into the hands of efficient farmers rather than absentee landlords. Capital, previously bound up in land speculation, was freed for industrial investment. But the rates of rental-value collected became inadequate enabling capitalization of increments. Both deliberate speculation and widespread unearned profiteering from locational advantage returned, especially on the urban fringe.

Fred Harrison

purchase productive equipment (i.e. to invest), and this lack of investment leads to a lack of employment. Now because land is a natural resource in fixed supply, buying land does not induce any additional production, but merely uses the land as a store of purchasing power; in other words, it is a form of saving, not a form of investment. Accordingly, any policy that encourages or facilitates the purchase of land affects employment in much the same way as high interest rates. The Caplin-Joye proposal would indeed facilitate the purchase of land, and the resulting trend in land prices would encourage further speculative purchases of land.

So not all of the unemployment caused by the Caplin-Joye plan would be mediated through higher interest rates; some of it would be the direct result of higher spending on land.

CATCH 6: WHO ARE THESE "INSTITUTIONAL INVESTORS"?

It has been claimed that under the Caplin-Joye scheme, when a person takes out a mortgage and buys a home with a Limited Partner, that LP will not also be the mortgage lender. But home buyers already have more than enough to organize. The need to obtain the simultaneous agreement of an institutional partner would make the task even more difficult unless that partner, at least in the first instance, were also the lender -- usually a bank. And the bank, having thus obtained an appreciating asset, would not be in any hurry to sell it in favour of a depreciating asset (like a loan). Even if the banks as mortgage lenders were not initially allowed to retain Limited Partnerships, their political lobbyists, aided by the general trend towards deregulation, would soon secure this right. Their demands might even be backed by private home buyers wanting to simplify the search for Limited Partners. And even if the mortgage lender for any particular buyer were not allowed to act as that buyer's LP, another bank could be

allowed to do so. As a result, large shares of the capital gains on family homes (or rather on the land under them) would in future be pocketed, not by the families in the homes, but by the shareholders of financial institutions, many of which would be banks.

[Ed: Here ends Gavin's shorter analysis, but his 6200-word effort can be read at www.users.bigpond.com/putland/]

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"Even if the banks as mortgage lenders were not initially allowed to retain Limited Partnerships, their political lobbyists, aided by the general trend towards deregulation, would soon secure this right"

PROPOSAL FOR GLOBAL HOUSING FINANCE REFORM -- Q&A (Menzies Research Centre, July 2002), available at <http://www.mrcltd.org.au/>.

DISCLAIMER:

The opinions expressed in this essay are those of the author and not necessarily those of any organization with which the author is or has been associated.

The author does not impugn the motives of Caplin and Joye. They are entitled to the presumption that they are among the deceived, not among the deceivers.

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THE MOST UNLIKELY OF ALLIES

Historically, real estate agents ("realtors" in much of the USA) have so profited by corrupt land markets as to constitute one of our movement's worst opponents. Now look what's happening in Philadelphia!

[Ed: These are the Realtors' own words, but the emboldening is mine]

The Legislative Department of the Greater Philadelphia Association of REALTORS® is dedicated to attaining proactive real estate legislation. Its goal is to establish an open line of communication with Philadelphia's City Council and Government Agencies to establish and maintain pro-active real estate legislation in Philadelphia. Advocating homeownership and protecting the rights of property owners is always top priority.

Recent Legislative victories include but are not limited to: The Association has stated its position on a multitude of recently proposed legislation including Predatory Lending and Multi Family Dwelling Licenses. Currently, GPAR is working

with the City Controller's Office researching and analysing **the implementation of a Land Value Tax. It is theorized this form of taxation, if implemented, will eliminate the City's Wage Tax as well as other burdensome taxes which force residents and businesses to flee the city to surrounding counties.**

Briefly stated, the Land Value Tax shifts the tax rate from the structure to the land it sits on. The following is a detailed explanation of Land Value Taxation.

"If we tax labor, buildings or machinery, we discourage people from constructive and beneficial activities and penalize enterprise and efficiency"

WHAT IS LAND VALUE TAXATION?

Land Value Taxation is a method of raising public revenue by means of an annual tax on the rental value of land. It would replace, not add to, existing taxes. As explained below,

this elementary fiscal measure **would go far towards correcting fundamental economic and social ills.**

The value of every parcel of land in Philadelphia would be assessed regularly and the land value tax levied as a percentage of those assessed values.

"Land," means the site alone, not counting any improvements. The value of buildings, crops, drainage or any other works which people have erected or carried out on each plot of land would be ignored, but it would be assumed that all neighbouring properties were developed at the time of the valuation; other things being equal, a vacant site in a row of houses would be assessed at the same value as the adjacent sites occupied by houses.

The valuation would be based on market evidence, in accordance with the optimum use of the land within the planning regulations. If the current planning restrictions on the use were altered, the site would be reassessed.

ADVANTAGES OF IMPLEMENTING A LAND VALUE TAX

A MORE EFFICIENT LAND MARKET. The necessity to pay the tax **obliges landowners to develop vacant and under-used land properly** or to make way for others that will.

A NATURAL SOURCE OF PUBLIC REVENUE. **All land makes its full contribution allowing reductions in existing taxes on labor and enterprise.**

A STRONGER ECONOMY. If we tax labor, buildings or machinery, we discourage people from

constructive and beneficial activities and penalize enterprise and efficiency. The reverse is the case with a tax on land values, which is payable regardless of whether or how well the land is actually used. It is a payment, based on current market value, for the exclusive occupation of a piece of land. In the longer term, this fundamentally new and different approach to revenue raising **will stimulate new business and new employment, with reduction in the need for costly government welfare.**



"Revaluation would become relatively simple with the use of computer technology today"

LESS BUREAUCRACY. The complexities of Wage Tax, Business Privilege Tax, Real Estate Transfer Tax is well known. By contrast, the Land Value Tax is straightforward. Once the system has settled down, landholders **will not be faced with complicated forms and demands for information. Revaluation would become relatively simple with the use of computer technology today.**

NO AVOIDANCE OR EVASION. **Land cannot be hidden or removed to a tax haven** or concealed in an electronic data system.

AN END TO BOOM-SLUMP CYCLES. Speculation in land value - frequently misrepresented and disguised as "property speculation" - is the root cause of unsustainable booms, which result periodically in damaging corrective

slumps. **Land Value Taxation, fully and properly applied, knocks the speculative elements out of land pricing.**

IMPOSSIBLE TO PASS ON IN HIGHER PRICES, LOWER WAGES OR HIGHER RENTS. Competition makes it impossible for a business producing goods on a valuable site to charge more per item than one producing similar goods on less valuable land. After all, producers and traders at different locations are paying different rents to landlords now, yet like goods generally sell for much the same price and employers pay their workers comparable wages. **The tax cannot be passed on to a tenant who is already paying the full market rent.**

LESS URBAN SPRAWL. Because Land Value Taxation deters speculative land holding, **dilapidated inner-city areas will be brought back into good use**, reducing the pressure for building in surrounding rural areas.

AN ESTABLISHED AND PROVEN SYSTEM. Local government variants of Land Value Taxation, known as Site Value Rating, are accepted practice in, for example, Denmark,

"Land cannot be hidden or removed to a tax haven or concealed in an electronic data system"

South Africa, a number of cities in Pennsylvania and some states of Australia.

IS IT FAIR? Land (unlike goods and services) has no cost of production. If an ample supply of land of equal desirability were available everywhere, there would be nothing to pay for its use. In reality land acquires a scarcity value owing to the competing needs of the community for living, working and leisure space. **Thus land value owes nothing to**

individual effort and everything to the community at large. It belongs justly and uniquely to the community. Conversely, the reward for individual effort can belong only to the one who earns it; to spend, save or give away as he or she may see fit.

"Speculation in land value - frequently misrepresented and disguised as "property speculation" - is the root cause of unsustainable booms"

Because of differences in positional advantages, fertility or natural resources, some locations are more desirable than others are. Demand for access to these features gives land its rental value. Land Value Taxation, being assessed on these values, is fair in its incidence.

[Ed: Much of the credit for this amazing edification is being attributed to local Geoist campaigners Bruno Moser and Josh Vincent]

****ooOOoo****

"The conspiracy of confusion which land monopoly fosters, continually blurs the distinction between the improved locality, or site value, and the separate value resulting from the development of that site. Hence 'property', 'real estate' and 'land values' have all acquired the convenient (to the monopolist) imprecision of meaning which conceals the illegitimate theft of publicly created site value behind the legitimate private claim to development value. This has a further propaganda value in allowing the monopolists to claim that those who propose to finance public spending from the collection of ground, or site, rents are attacking the right to private property. In actual fact, under Community Ground Rent, all private property, including homes, wages, consumer durables, profit and personal capital will, for the first time ever, be wholly exempt from assessment for liability regarding public finance." - Julian Hinton

Quotes of note

"I believe that Henry George was one of those really great thinkers produced by our country."

- Franklin D. Roosevelt

"The burden of taxation should be so shifted as to put the weight upon the unearned rise in the value of land itself, rather than upon the improvements."

- Theodore Roosevelt

"There is no subjugation so potent as that which leaves the appearance of freedom"

- Rousseau

"Land rent is merely giving to the community the equivalent of the special advantage of being allowed to hold the exclusive possession of a piece of land which, because of its location and/or productivity, gives the possessor an advantage others don't enjoy."

- Clyde Cameron

"Men fear thought as they fear nothing else on earth -- more than ruin -- more even than death.... Thought is subversive and revolutionary, destructive and terrible, thought is merciless to privilege, established institutions, and comfortable habit. Thought looks into the pit of hell and is not afraid. Thought is great and swift and free, the light of the world, and the chief glory of man."

- Bertrand Russell

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BOOK REVIEW

BY JOHN YOUNG



STANDING FOR JUSTICE

by John Stewart

XXI+181 pp., hb., RRP \$ (Aust) 59.95. Shephard-Walwyn, London, 2001.

Australian distributor: John Reed Book Distribution: Phone: (02) 9939 3041. Fax: (02) 9453 4545.

Andrew MacLaren was a British politician who fearlessly promoted Georgism. This biography by John Stewart sketches his life in and out of Parliament, with particular attention to his advocacy of free trade and, especially, government collection of site revenue.

MacLaren was born in Glasgow in 1883, and his early life bordered on poverty. From his childhood he was interested in music and painting, retaining those interests all his life. As a teenager he was attracted to Marxism. Then contact with the "Single taxers" in Glasgow led to a study of *Progress and Poverty*. He relates: "I shall never forget my first reading of his [George's] chapter on the law of rent. It gave me, as I then thought and still think, the key to the whole economic problem. How I wish that Marx had seen this law" (p. 3).

He worked as an apprentice engineer from six in the morning till five-thirty at night, and in the evenings advanced his education at the Glasgow School of Arts and at a Technical College. His spare time was taken up with a study of music, economics, history and art.

John Stewart gives a great deal of interesting information about the famous people with whom MacLaren was associated, both within and outside Parliament. His parliamentary years were turbulent; and despite his hard work he struggled to retain his seat. His Parliamentary career ended in 1945, when he stood as an Independent and lost. Things might have been different had he been prepared to toe the Labour Party line, but he would never compromise his principles by doing that.

He was alarmed at the emerging welfare state, with its curtailment of personal freedom and its need for onerous increases in taxation. The solution to social problems, he always insisted, was to remove the causes, not to patch up the existing system.

Stewart describes the crucial years in the early 30's when land reform measures came close to implementation. Both the Labour and Liberal Parties favoured the Georgist remedy, and steps were taken towards its gradual implementation. The House of Lords strongly opposed the reform, but it appeared this opposition would be overcome. But the attempts failed, partly because of the need to deal urgently with the catastrophic poverty caused by the Great Depression. Land reform was seen as a long-term solution which should be put on hold for the time being. MacLaren of course was extremely disappointed.

An interesting account is given of MacLaren's correspondence with George Bernard Shaw, with Shaw dismissing George's position, despite having had his outlook changed when he heard George speak in London. Sadly, Shaw had turned to Fabian socialism.

MacLaren's son Leon founded the famous School of Economic Science in London in 1938, with support from his father. It was formed from an earlier group that Leon had started, and its purpose was "To promote the study of natural laws governing the relations between men in society and all studies related thereto and to promote the study of the laws, customs and practices by which

communities are governed and all studies related thereto" (p. 65).

Large numbers attended the classes – as many as 350 are mentioned. Leon praises his father for making this success possible through the talks he gave prior to the forming of the School, and in which (to quote Leon): "He spoke about economics and, with wonderful clarity, he laid in front of us the principles taught by Henry George, what they signified and the underlying beauty and philosophy of it all" (p. 66).

After the Second World War the class numbers fell, but rose when Leon introduced philosophy courses. But for Andrew MacLaren, Stewart notes, "the energy spent on philosophy was a distraction from the main event" (p. 67).

In his later years (he died in 1975) he continued to teach Georgism, and made many friends from the young people who attended his classes. Haydon Bradshaw, chairman for some time of the Saturday morning classes, wrote: "Andrew's attacks of startling fierceness on economic ignorance in high places and the tyranny of local government's little Hitlers contrasted and complemented his display of amazingly good humoured and quick-witted charm" (p. 106).

ooOOoo

"A fine is a tax for doing wrong. A tax is a fine for doing well."
- (Anon.)



James Lalor (1807 – 1849)

James Fintan Lalor, the great Irish nationalist and agitator, was born in County Laois on March 10, 1807, the eldest of eleven sons. James was deformed due to a disease of the spine which retarded his growth, but mentally he was greatly gifted. Furthermore, he saw the land question as central to the problem of poverty and injustice.

Lalor was educated at Carlow Law College and became a chemist's apprentice in Portlaoise. He joined the Repeal Association but was expelled for siding with the militant Young Ireland faction.

In 1845 he wrote to the Prime Minister, Peel, urging that the agitation for repeal of the Union could be suppressed if a settlement of the land question were first made. His views caused a rift with his father, who supported Daniel O'Connell's policy on Repeal as an essential first

step before land reform or any other reform. He left home and lived precariously in Dublin and Belfast, but ill-health brought him back in 1846. At the same time, Lalor helped found the Irish Confederation and attempted to form a Tenant Rights Association in his native Laois.

In 1847 he contributed extensively to *The Irish Tribune* and *The Nation* a series of letters advocating 'the land of Ireland for the people of Ireland' and founded a tenant right league in County Tipperary with the help of Michael Doheny; but his attempt to organise a rent strike failed.

When John Mitchel was arrested in 1848 Lalor helped John Martin found the *Irish Felon*, successor to the suppressed *United Irishman* before partaking in the June 1848 uprising at Clonakilty in County Tipperary after which Lalor was arrested, tried on a charge of Treason-Felony and

imprisoned. His health, never good, was permanently shattered in the close confinement, but as soon as his release came he gathered a few comrades around him where he lived in Dublin and began to plan for insurrection. He became intimate with John O'Leary and Thomas Clarke Luby, who were destined to become leaders of the Fenian Movement and, with them and John Savage and Joseph Brenan, he led an attempted uprising in Waterford and Tipperary in September 1849. There was a partial rally but it proved a failure, as failures are counted in this world. But Lalor was satisfied that it perpetuated, even flickeringly, the flame of revolt against British rule in Ireland.

A little over three months later he was in his grave, having died of bronchitis in a Dublin prison in December 1849. His funeral was attended by over 25,000 people.



"I hold and maintain that the entire soil of a country belongs of right to the entire people of that country, and is the rightful property not of any one class, but of the nation at large."



"Every man is entitled to an equal share of the land, and of all other things which are the free gifts of Nature. These are the raw materials from which, by his labour, he is to obtain the necessaries of life; but this right he possesses only during his lifetime - he cannot will them to another, nor exert any influence on their disposal after his death"