

# PROGRESS

The first man who, having enclosed a piece of ground, bethought himself of saying, "This is mine", and found people simple enough to believe him, was the real founder of civil society. From how many crimes, wars and murders, from how many horrors and misfortunes, might not anyone have saved mankind by pulling up the stakes, filling in the ditch, and crying to his fellows, "BEWARE OF LISTENING TO THIS IMPOSTOR; YOU ARE UNDONE IF YOU ONCE FORGET THAT THE FRUITS OF THE EARTH BELONG TO US ALL, AND THE EARTH ITSELF TO NOBODY."

- Rousseau



HOMEOWNERSHIP

CYCLE 3



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### GETTING THROUGH

Can you pick them? When you first meet someone, have you the ability or insight to discern whether they'll "get it" – take that leap in understanding into the radical paradigm that is the Geoist view of the economy, the environment, social justice and plain sanity?

Having just returned from the big eco-tax conference in Sydney, I've been amazed how many conference attendants had little resistance to Land Value Taxation, although it must be said that very few of them hit on the massive implications of LVT. And our Sydney colleague, Mark Pavic, who's been responsible for making some Green connections of late, has just told me how so many Big Greens have embraced LVT.

This is in sharp contrast to experiences with academics and professional economists in Australia, who often seem to have bewildering mental resistance to LVT and other natural resource rentals. Of course, many academics have a vested interest in maintaining and regurgitating the same old neoclassical economic nonsense – their livelihood depends on it. I've had too many Monash University office doors closed to me to know otherwise.

Here's another baffling contrast. The Howard government and a number of right-wing think-tanks are starting to push a home-ownership scheme whereby it's made "easier" for people to enter the property market by become "partners" with banks in purchasing property. Now, most of us Geoists know that land behaves like a monopoly good, and its price will increase to soak up whatever extra cash people have to purchase it, so that this amazingly short-sighted proposal will only

push up land prices further. How can these "experts" get it so wrong? Now, have a look at the Letters section of this rag and look at 3 letters of 9/6/03 in the *Sydney Morning Herald* – here are 3 (ordinary, presumably) people who have, with great clarity, seen right through this Howard lunacy.

Which brings me to my point – what type of people "see the cat" (our term for having that Geoist insight) and what type never will?

(1) Intelligence helps – the ability to think issues through to their logical consequences.

(2) On the other side of the brain (the right side), the ability to see the big wholistic picture also helps. In our early days, many of us slowly grapple with minor aspects of Geoism and wonder what all the fuss is about .... until we see the vast schema in all its wondrous, full-blown, interconnected glory! Almost like a rapturous St. Paul, we at once see the elegant simplicity of Geoism's principles at the same time that we see the amazing penetration of its principles into nearly every aspect of economic, social, environmental and political life. Am I sounding like a religious nut? – that's because *I HAVE BEHELD!*

(3) Individuality – the ability to think for oneself and not be sucked in to mob mentality. Sometimes this manifests as a type of cynicism, but hey! – we've seen The Great Lie, so why should we trust whatever else people tell us? The fact that Geoists are often such extreme individuals has meant that we often don't work together very well, and are in dire need of learning wise processes of conflict resolution and decision making. The new crop of members from Green circles may well have much to contribute to our processes here.

(4) Broad life experiences, which often initially instil in us a conviction

that something about the system is terribly wrong, and what we read and are told is utter crap. Academics and career politicians fall down here, immersed as they are in specialising in narrow reductionist research, knowing more and more about less and less. What's the best antidote for this condition? In my humble opinion, it is to get away from the whole scene where we've been conditioned by parents, media, education system and culture, deprogramming oneself by travelling alone in vastly-different Third World cultures.

So why did so many at the eco-tax conference get it? Because they weren't your ordinary brand of cloistered academics, but had a very healthy interest in and love for nature as well as having the open mind that often comes from travel. That's my theory, anyway.



The magazine has now hit 32 pages, with another 10 unused pages lying over the editor's floor like clumps of hair in a barber shop. Lloyd Churches makes his literary debut this issue, and gets a big koala stamp for a fine piece. As always, we'll make way or make extra room for new contributors, so don't feel shy, guys. I'm always happy to proof read and give general advice, as well as supply illustrations. Now I happen to know there are a lot of new Green subscribers to whom I want to particularly appeal for their fresh perspective. Email me at [karlwilliams99@hotmail.com](mailto:karlwilliams99@hotmail.com) The deadline for the next issue is August 8.

# THE HOMEOWNERSHIP CYCLE

by Ed Dodson



The cycle is something like:

1. Reach an age when you are working full-time;
2. Either lease an apartment and save very little, or continue to live with parents and pay them as little as possible;
3. Link up with some "significant other" and save for your starter home (e.g., a townhome, a small single-family detached house, or maybe a manufactured housing unit);
4. Depend on land prices going up so you can sell the property for more than you paid for it;
5. Appreciation and amortization combine to create "equity" that you can transfer to a larger and/or more amenity-rich property (which will tend to appreciate in value in faster and higher over time);
6. Do this two, three, four, or five times in your working life, perhaps moving from a high housing cost area to a low housing cost area and investing your profits in mutual funds or shares of stock;
7. If you have children, be prepared to cash in all of your investments and take a second mortgage out on your current home in order to pay for them to attend the best college your debt load can afford;
8. After your children's' educations are paid for begin to think about retirement;
9. Stay in your home through one more rising housing cycle, then sell out as nearer the top as you can guess is the top;
10. Lease an apartment (putting most of your possessions into storage) until the housing market crashes;
11. Purchase a townhome that some younger homeowners have moved out of because their dot.com employers went bust, they defaulted on their mortgage and the bank is selling the property for what it can get;
12. Enjoy your retirement years without having a long list of household chores every week;
13. When you start to run out of money, hopefully the housing cycle will be on the upswing again and you can get a monthly income supplement by taking out a reverse mortgage;
14. Don't worry about leaving your children anything of consequence; they will only fight over your few remaining possessions anyway.



I  
RECKON!

says Bryan  
Kavanagh

## BAILING OUT BANKS

Here in Oz at least, the [land-value] crash is not the end for the banks. We have our "Big 4", and after that, there are very few others. So, the government usually decides to bail out the biggies (with taxpayers money, of course!) in order to 'support the system'.

So, we have the situation where banks are permitted to make obscene profits, then and, when the tide turns, we bail them out! This should not be - especially when it is when the banks who are who are force-feeding credit to people at the moment. If the financial system starts to crumble because banks lend unrealistic amounts against a land price bubble, why should we support their bailout? Why do we allow them to privatise their profits, yet also socialize their losses? Let them go to the wall, I say. New worthwhile institutions will replace them in a free enterprise society.

Geoists could win publicity in the upcoming collapse by supporting the PEOPLE against the banks. I reckon we should have it as policy to say "No!" to bank bailouts.

# AN OPEN LETTER TO WAYNE SWAN, FEDERAL LABOR SPOKESMAN ON FAMILY AND COMMUNITY SERVICES

by Proz Oz Prez  
Maurie Fabrikant

Dear Mr. Swan,

I write to you concerning the article published under your name in today's issue of "The Age". It deals with the difference in wealth possessed by Australians and the reluctance of intelligent, well-to-do Australians to address - even publicly speak about - this matter. Even when somebody does raise it, only the problem is described. I've yet to see a solution proposed other than to resort to charity; that is, give something to those in dire need. I believe I can do somewhat better than that! Please read on:-

The "Great Australian Dream" now - as in preceding years - has been to own your own home. From their earliest years of adulthood, most citizens have attempted to purchase "a roof over their head". It used to be - no more than two human generations ago - "a three-bedroom weatherboard - or brick veneer, if you could afford it! - on a quarter-acre block in the suburbs". Most citizens - then - succeeded in realising that dream; at least they started repaying a loan that was large compared with their earnings. Nowadays, it's quite impossible for most. Why? Simply because land-price has escalated

The price we paid for the block back in 1962 was exactly equal to my gross pay during that year

out of the reach of most. Allow me to give you a specific instance:-

In 1962, my wife-to-be and I signed a contract to purchase a block of land in Noble Park, a suburb 27 km south east from Melbourne's CBD. It was a bit less than a quarter acre, quite large even by the standards of the time. (Nowadays, it's considered enormous!) It cost us 1,200 pounds; that is, \$2,400. At that time, I was employed as a Class 1 Engineer; the lowest level of engineer having a tertiary-level qualification. My wife was a full-time housewife and mother earning a little from some hairdressing work at home. My wife and I still occupy the home that was built on that block in 1965 then extended in 1974 and again in 1980. There are almost no vacant blocks left in Noble Park now but I have been informed - by local real-estate agents - that our block would bring at least \$160,000 if unimproved because it is large enough for four single-level home-units! A comparison in \$ terms conveys very little information due to inflation and changes in taxation but the following should overcome that difficulty:-

The price we paid for the block back in 1962 was exactly equal to my gross pay during that year; in other words, the block of land cost the same as the services of a Class 1 Engineer for one year. (The income tax I paid that year - I still have a copy of the income tax return! - was almost exactly 150 pounds; that is, 12.5% of my gross pay. It's interesting to note that the highest rate of income tax that

applied then was 13/4 - thirteen shillings and fourpence - in the pound; that is, 66.67% of gross pay.) Nowadays, a Class 1 Engineer receives a starting salary of about \$40,000 per year. Given that the same block of land would now cost \$160,000 - that is, four years' gross pay! - it's not surprising that most couples are finding it increasingly difficult to own their own residence. Even the cheapest blocks in "suburbs" like Pakenham - about 60 km south east of Melbourne's CBD - cost around \$60,000. (Please note that the income tax payable nowadays on \$40,000 is about \$9,460; that is, 23.65% of gross pay yet the maximum rate at which income tax is now levied is only 48.5%. Additionally, way back in 1962, sales tax was applied to a very narrow range of goods and to no services. Nowadays, GST applies to a very wide range of both goods and services. Clearly, citizens are far more taxed now than they were.)

As you can very clearly see, it now costs couples - or singles - a great deal more to own a residence. Naturally, if they don't own their own residence, they must pay rent to somebody else ... or live in a caravan park or share a home with relatives or friends or have no place to call "home". None of these alternatives lead to a high quality lifestyle and undoubtedly are potent factors in separation and divorce and reliance on drug abuse which, itself, leads to anti-social - even criminal - behaviour. We also know to our great regret that these aberrations are becoming increasingly prevalent. So is there a solution? And if so, what is it?



Modern conventional wisdom is that increasing land price signifies a healthy economy. Exactly the reverse is true!

In my opinion, there certainly is a solution ... but, seemingly, very few want to know it. Judging by your article, I think you do. Here it is:-

As I've shown, land prices - in Australia's cities - have escalated enormously because there are more people competing to secure access to the land there. Here's why:-

1) As mechanisation has eliminated most of the need for labour in primary production, there has been a mass migration of people into Australia's cities from rural areas. Further, all recent governments have encouraged considerable migration from overseas and most of these migrants want to live in cities so that

they can be near large groups of their fellow-countrymen ... and get work. (A friend of mine recently purchased a liveable, weatherboard house on a quarter-acre block in St Arnaud - a small town with a population of about 2,500 in the middle 1980s about 300 km north west of Melbourne - for less than \$14,000! How so? Not many people want to remain there because most of the businesses there are owner-operated so there are very limited employment opportunities. More residence sellers than buyers guarantees that residence prices collapse.)



The only possible "winners" in this "game" are those who presently own land

2) It costs very little to hold vacant land in Australia. Even in those municipalities where rates are based on unimproved value, annual rates are relatively small compared with unimproved value so, therefore, don't force the owner to put the land to good use. The effect of this is to increase the scarcity of land still further causing potential buyers to bid up prices. Land taxes in most states are relatively low and become onerous only when land of extremely high value is owned by an individual.

Modern conventional wisdom is that increasing land price signifies a healthy economy. Exactly the reverse is true! Increasing land price demonstrates that much money is being invested in real estate and that necessarily means that less money is being invested in productive ventures. Increasing land price causes increasing rents ... because the land owner must derive sufficient income to pay the interest charged on the loan needed to buy the land and its improvements. This makes it increasingly difficult for businesses to trade profitably ... especially when there is a plethora of complicated taxes that cause extremely high compliance costs. It's no wonder that more and more goods are now imported as local manufacturers choose to close their operations. In many places in Australia, land lies relatively idle. For example, in Melbourne's CBD, several large blocks have been idle for years and in the suburbs, shops remain empty for months, even years. Yet government-released figures on unemployment - the reality may well be much worse! - admit that unemployment exceeds 6%. The old adage, "Idle lands cause idle hands" is clearly demonstrated in Australia ... and elsewhere.

The only possible "winners" in this "game" are those who presently own land; the more they own, the more they have the potential to "win". Land owners enjoy enormous increase in the price of land they own simply because they were able to purchase it when its price was comparatively low. They do not - in their role as owners - contribute in any way to the prosperity of the nation. Indeed, because they grow wealthier

without producing, they are, in fact, parasites! That sounds incredible but it is true nonetheless. How so? Simply because those owners receive part of the wealth earned by all citizens; at least some of that wealth is used to push up land prices but only owners enjoy those increased prices. Tenants certainly do not! All who labour - and this includes land owners who perform labour! - are thereby effectively robbed of some of their earnings. (Please note that I do not blame landowners personally; most would - I'm certain - be horrified to think that they are parasites. The fault lies in the parliamentary enactments that permit such a situation to prevail.)

Difficult as the situation is now, it will be worse still in another two human generations' time. How so? Because the same forces that have been exerted in the past continue unabated. In fact, these forces appear to be intensifying! Taxation is continuing to escalate as pressure groups clamour ever louder for financial assistance. The average rate at which personal income tax is levied is increasing - even though the maximum rate levied is falling - and sales taxes and the like are being applied to a widening range of goods and services. The wealthy continue to derive benefit from the tax-minimisation experts they employ - because they save more tax than they pay to those experts - leaving the relatively poorly-paid employees to carry most of the burden. Unless, of course, steps are taken to change these tendencies, Australia will become an increasingly unpleasant country in which to live. That's definitely not the future I want for my 3 children and 7 grandchildren. And I'm sure you don't, either!

The solution to this conundrum is, perhaps amazingly, incredibly simple; namely, require all owners of land - in fact, all natural resources, including intangibles such as broadcast bands, to pay to all Australians, via the government, an annual rental in exchange for exclusive ownership rights to those natural resources. What could be fairer? If a citizen has exclusive ownership rights to a natural resource, that obviously means that all others have no rights to it whatsoever.

... because they grow wealthier without producing, they are, in fact, parasites!

Therefore, that citizen must pay compensation - in the form of a periodic rent - to all others. Now that's a perfect manifestation of "user pays". How big is this periodic rent? That's simply answered, too. It's what the citizens, generally, think that natural resource is worth! And that's easily - and accurately - determined by valuers, individuals who have great experience because they simply note the prices at which similar natural resources in the vicinity - both in space and in time - are sold then use those prices to predict that of a similar resource.

This would constitute real tax reform and - when implemented - would obviate the need for income taxes and sales taxes. How is this? When a continuing rent is charged for ownership rights to a natural resource, that natural resource will have little or no purchase price. Setting up a business or residence will be much cheaper first up as only the improvements must be paid for initially. Money that presently must be borrowed to pay for access to natural resources

will become available for productive purposes. Because rents will be payable on all natural resources that are privately owned - whether or not they are in use - those natural resources will become used or will return to the nation as public land.

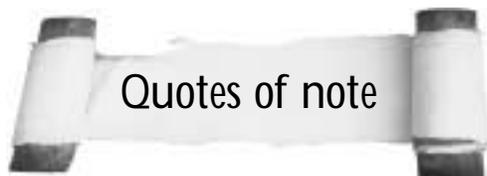
Money that presently must be borrowed to pay for access to natural resources will become available for productive purposes.

Speculation in natural resources will be immediately terminated thus eliminating a major factor in escalating price. The converse of the old adage quoted earlier is apposite:- Far less idle land will translate into far fewer idle hands! That will translate into a reduced need for social security expenditure. Additionally, lower levels of unemployment will cause reduced anti-social and criminal activity with consequent savings in law enforcement, punishment and

rehabilitation. And elimination of most of our taxation regulations will cause compliance costs to all but disappear. The brakes that presently retard Australia's productivity will not merely be released; they will be discarded!

I regret that this has become a far lengthier message than I initially intended. My apologies. Should you want any matter explained, you have only to ask. Thank you for reading this.

Maurie Fabrikant, Noble Park



Capital as such is not evil; it is its wrong use that is evil. Capital in some form or other will always be needed.

- Mahatma Gandhi

"I find it very difficult to disagree with the principles of Henry George .... I believe in the taxation of land values only."

- Justice Louis Brandeis

"George's blend of radicalism and conservatism can puzzle one, until it is seen as a reconciliation of the two. The system is internally consistent, but defies conventional stereotypes."

- Professor Mason Gaffney

"There is one difference between a tax collector and a taxidermist -- the taxidermist leaves the hide."

- Mortimer Caplan



HENRY SAID...

This is the Law of Rent. As individuals come together in communities, and society grows, integrating more and more its individual members, and making general interests and general conditions of more and more relative importance, there arises, over and above the value which individuals can create for themselves, a value which is created by the community as

a whole, and which, attaching to land, becomes tangible, definite and capable of computation and appropriation. As society grows, so grows this value, which springs from and represents in tangible form what society as a whole contributes to production, as distinguished from what is contributed by individual exertion. By virtue of natural law in those aspects which it is the purpose of the science we call political economy to discover - as it is the purpose of the sciences which we call chemistry and astronomy to discover other aspects of natural law - all social advance necessarily contributes to the increase of this common value; to the growth of the common fund.

Here is a provision made by natural law for the increasing needs of social growth; there is an adaptation of nature by virtue of which the natural progress of society is a progress toward equality, not toward inequality; a centripetal force tending to unity, growing out of and ever balancing a centrifugal force tending to diversity. Here is a fund belonging to society as a whole from which without the degradation of alms, private or public, provision can be made for the weak, the helpless, the aged; from which provision can be made for the common wants of all as a matter of common right to each, and by the utilization of which society, as it advances, may pass, by natural methods and easy stages, from a rude association for purposes of defence and police, into a cooperative association, in which combined intelligence can give to each more than his own exertions multiplied manyfold could produce.

By making land private property, by permitting individuals to appropriate this fund which nature plainly intended for the use of all, we throw the children's bread to the dogs of greed and lust; we produce a primary inequality which gives rise in every direction to other tendencies to inequality; and from this perversion of the good gifts of the Creator, from this ignoring and defying of his social laws, there arise in the very heart of our civilization those horrible and monstrous things which betoken social putrefaction.

Henry George (1839-1897) Extract from *Social Problems*

# FUNDING PUBLIC TRANSPORT



Brisbane's Gavin Putland presents a tactical means by which Geoist reforms could be introduced to fund public transport

After reading *TAKEN FOR A RIDE: TRAINS, TAXPAYERS AND THE TREASURY* by Don Riley (Teddington, England: Centre for Land Policy Studies, 2001), I think I understand why this book was allowed into the mainstream of public debate.

Economists agree that the utilization of a transport system will be optimised if the ticket price covers the marginal cost of carrying the passenger, while the fixed cost is covered by some other source

of revenue. Similar comments apply to other public utilities. But what should be the "other source" of revenue? Well, when a new piece of infrastructure is provided, the resulting increase in land values is consistently several times greater than the fixed cost. Therefore, says Riley, economically rational landowners should be volunteering to pay the fixed cost of new infrastructure through land taxes, knowing that:

- (a) the desired development is then more likely to happen, and
- (b) when it happens, the resulting increase in land values will outweigh the increased tax liability, delivering a net windfall to the landowners.

This argument appears in Chapter 4, supported by numerous quotes from the late Prof. William Vickrey.

Now this idea obviously falls short of Georgist ideals, because it not only allows landowners to appropriate benefits of new public infrastructure, but also envisages that landowners will actively

solicit such developments. On the other hand, at least this unearned windfall to landowners does not come at other taxpayers' expense, as it does if the "other source" is general taxation.

Moreover, this proposal has two enormous political advantages:

- (1) It panders to the interests of landowners, so that landowners might actually contribute funds to the promotion of the idea.
- (2) It educates the public on the fact that the benefits of new services confer an unearned windfall on the owners of the serviced land.

Point (1) means that the *conservative landlordist* side of politics, motivated by nothing more than filthy lucre, could end up supporting the proposition that the fixed costs of new public infrastructure should be covered by land taxes.

The way would then be open for the more radical side of politics to argue that the benefits of new infrastructure should not be concentrated on landowners in particular locations, but should be shared more widely through a tax cut or citizens' dividend funded by (e.g.) a Mill tax or a full site rent system.

Furthermore, the entrenched higher level of LVT would force land speculators to diversify their activities, and some would start to wonder whether their interests as land speculators were outweighed by their interests in their other, more productive, activities -- in which case they would look favourably on the more radical proposals for socialization of economic rent in lieu of productivity taxes.

If the conservatives agreed that the fixed cost of new infrastructure should be covered by land taxes, how would this idea be implemented? One possibility is simply to increase LVT rates. It can be argued that the present low rate is detrimental to landowners be-

cause it does not provide for recovery of the fixed costs of new infrastructure, and consequently acts as a barrier to the provision of infrastructure WHICH WOULD ENRICH LANDOWNERS. Landowners would therefore stand to gain if the LVT rate were lifted over the threshold that covers the fixed costs of new infrastructure, so that development could proceed. The same increase in the LVT rate would increase the compensation automatically given to the minority of landowners who lose from any particular development, so that another barrier to development -- the NIMBY effect -- would also be lowered.

The increase in LVT could take various forms. At local level, it would presumably retain the form of UCV [*Ed: the "wrong" ratings base, which taxes improvements*] rating, albeit with higher rates replacing other sources of revenue. At state level, it could take the form of a flat tax on commercial and industrial land. At federal level, it could take the form of a flat tax on residential and agricultural land, implemented as a means test in the case of owner-occupied land. The LVT rate received by each government need not be sufficient to motivate that government to fund a project, as long as the total rate received by all three levels is sufficient to motivate them to fund projects jointly.

No, we wouldn't necessarily put this in our manifesto, because it would be at most a transitional arrangement and would not make the simplest transition. But someone needs to run with it. Perhaps this is a chance for a geoist to land a job, not with one of those "lesser robbers", but with The Devil Himself!

**\*\*ooOoo\*\***

Contact Gavin at [putland@bigpond.com](mailto:putland@bigpond.com) to receive his recently-completed 10,000-word in response to "A Vision of Sustainable Transport in Queensland" (Queensland Greens, February 2003) This spells out the details of Geoist funding.



**WORLDWIDE**

**ENHANCED U.N. STATUS**

Alanna Hartzok reports:

The International Union for Land Value Taxation and Free Trade, a UN NGO registered with the Department of Public Information (DPI), has now been formally recommended for Special Consultative Status (Level 2) with ECOSOC, which is a "more advanced" level of participation with the UN. The IU application was formally reviewed at the May 7 meeting of the Council Committee on Non-Governmental Organizations.

Pat Aller and George Collins were both in attendance, having participated in the sessions on the two previous days in anticipation of the upcoming review. After reviewing the material submitted by the IU, only one person, a delegate from Germany, asked a question and this was how tax shifting can encourage affordable housing. George answered in an erudite manner and the IU was thus recommended.

The Special Consultative Status will be formally granted at the ECOSOC meeting in Geneva in June. Once recommended by the review council it is unheard of not to receive the fully authorized approval at the June meeting.

Congratulations are in order for those who worked with great dedication and perseverance over several years to prepare the paperwork for this next step in our global work at the UN. Barbara Sobrielo and Ole Lefmann worked hard from the main office in London, and Pat Aller kept the process organized and on track from New York.

What does this mean now for the IU work in association with the UN? With DPI we had 2 NGO representatives. With ECOSOC we can have 20! - five each for New York, Geneva, Vienna and Nairobi, all the cities where the UN has offices and agencies. We will keep the two DPI representatives, so we will have a total of 22 UN NGO representatives.

We will have access to a broader range of UN work with enhanced capacity for input into the official proceedings.

Thank you again and BRAVO to Barbara Sobrielo, Ole Lefmann and Pat Aller for their several years attending to this task requiring great attention to detail, and to George Collins - our new UN NGO representative - for attending the meeting with Pat and taking us through this successful step.

**BRITAIN**

**LAND VALUES PROJECT**

From *Land & Liberty* comes a report on how Britain's Henry George Foundation is to launch a project which will aid professional consultants and the public alike to understand the dynamic influence of land values on their everyday lives.

The Location Motivation Index should become an indispensable tool of economists and property professionals, and for social scientists attempting to map the economic progress of society. The index is designed to be a service that the Foundation can sell - as well as a valuable means of raising their profile.

**IRAQ**

**CUTTING OUT EXPLOITATION BY "BIG OIL"**

Steven Shafarman, president of the Citizen Policies Institute, has proposed a guaranteed basic income for all adult Iraqis. This "citizens dividend" (a minor variation of Geoiist principles in that it ensures that some natural resources benefit all citizens equally) could comfortably be funded by using a mere fraction of the natural resource royalties that Iraq receives each year for access to its oil.

See Shafarman's full proposal, published recently at The Progress Report: <http://www.progress.org/2003/cd29.htm>

**BRITAIN**

**POLLIES SEEING THE LIGHT?**

From *Land & Liberty* comes news that, after months of hints and suggestions, the UK government seems ready to decide on a mechanism for capturing land values to help pay for house building, transport an urban regeneration.

Projects like London's Crossrail and John Prescott's ambitious house building programme would generate massive land value gains. But they require huge up-front infrastructure investment which the government is reluctant to raise through public borrowing or increases in conventional taxes.

Meanwhile, the Mayor of London's Consultative Budget recently called for innovative means of bridging the funding gap. In January, the Budget Committee of the Greater London Authority met with business representatives to discuss various proposals, including land-based taxes like *Tax Incremental Financing*, planning gain schemes, and a workplace carparking levy. The business lobby is opposed to such ideas, calling instead for increased bus fares and budget cuts.

**SOUTH AFRICA**

**RETALIATION AGAINST RATING REGRESSION**

Excerpts from a Cape Town daily newspaper, 15/5/03:

MPs warned not to impose rates on improvements Site value offered as basis of uniform system

The provision in the Property Rates Bill that the basis for municipal rates across the country should be the improved value of properties came under fire in parliamentary hearings yesterday. Applying municipal rates to the improvements on a property was described as being a partial expropriation of a portion of the value of improvements of a property.

Michael Jacques, of the School for Economic Science in Johannesburg, said that basing municipal rates on the improvements on a property would achieve the exact opposite of what the bill was intended to do. The bill seeks to put in place a uniform rating system across the country which would close the gap between the rich and poor.

He said that the value of the site stemmed mainly from its location, and the value of the location arose from factors such as "infrastructure, proximity to labour, raw materials and markets, proximity to amenities such as schools, shops and workplaces and the beauty of the natural surroundings". He said that as such, the site value could be seen as public property because none of the value was due to the behaviour of the owner. This made site value eminently suitable for a basis for rates.

"On the other hand, the value of improvements is not a fit subject for taxation. Improvements carried out and paid for by the owner of the property are truly private property. Therefore any tax on improvements is in effect an expropriation of a portion of the value of such improvements. It is also a penalty on improvements and a disincentive for owners to make such improvements," Jacques said.

He said that the worst disadvantage of improved value rating was that it would discourage businesses from locating in marginal areas "and in fact it would encourage those that are already there to move to prime areas".

"One of the major problems in SA today is increasing poverty in the marginal areas amidst increasing wealth and progress in the prime areas. It is our belief that the overall tax system is a major cause of this inequity. The Property Rates Bill will add to the tax burden of marginal areas and increase this inequity still further," he said.

Godfrey Dunkley, of the International Union for Land Value Taxation, said the least popular and economically most restrictive form of rating was being forced on the country. "Rates on improvements do and will stifle progress.

Rates on land only will transform both the economy and land distribution. It also discourages land speculation and this releases land for redistribution to local communities."

He warned that large vested interests and land speculators feared a land-based rate. Wealthy landlords, he said, wanted rating systems which shifted the burden onto the middle class and the poor.

## ENGLAND AND BEYOND

### NEW BOOK -- DYING FOR JUSTICE

A May 15 press release from the Centre for Land Policy Studies announced the publication of a new book, "Dying for Justice" by George J. Miller, M.D. Dr. Miller, an epidemiologist, argues that true tax reform would do more than anything else to prevent tens of thousands of people from dying prematurely every year.

You can read all about it at The Progress Report:  
<http://www.progress.org/2003/revjust.htm>

To order the book, contact Centre for Land Policy Studies, 7 Kings Road, Teddington TW11 0QB, United Kingdom or email Fred Harrison at [metaman@compuserve.com](mailto:metaman@compuserve.com)

## COSTA RICA

### HOPE FOR REFORM

*From the email-based Geogist News (request gn@progress.org for your free subscription) comes this report from Wendy Rockwell, a Geoist living in Costa Rica:*

Costa Rica is located in the Central American isthmus south of Nicaragua and North of Panama with an area of 50,100sq km and a population of 4 million. Costa Rica has two levels of government with tax collecting power, the national level and the municipal level. The rules for both are established in the National Assembly. A one house body with deputies elected directly every four years, and they can't be re-elected successively. The number of deputies for

each province is determined by population.

The municipalities function on a county level, resulting in 82 municipal governments nationwide. Eight districts within those counties have been authorized to have their own municipal governments, due to geographic isolation. One of those is the district of Monteverde in the province of Puntarenas, where I was elected to the position of councilwoman. This is the same Monteverde that was declared by National Geographic as one of the ten most beautiful spots on earth.

I guess I have been surprised by the clout this position has given me and the access to all sorts of high government officials. I have been talking to all of them about LVT (land value taxation) and receiving positive responses.

There is a political will to decentralize the Costarican power structure. (The existence of political will is very important to get any thing done.) In this effort the municipal governments were given the power to collect property taxes. In the law, land and improvements are lumped together as though one entity. As in most places around the world most municipalities have outdated and incomplete cadastres. Every citizen is entitled to an exemption on one property up to the value of \$17,500.

If the municipalities could collect land values, have their own source of income and not be so dependent on the "political will" (which can be quite arbitrary) of the central government, this would be a giant step in accomplishing decentralization. It may also be instrumental in reducing corruption.

One source of corruption is in the effort to provide housing to low income families. Funds are allocated to buy land, that belonged to some politician's nephew, that was actually unfit to build on. The housing was dealt out to people who already own a house but are buddies, or voted for someone on the commission that decided who was going to get the housing. Nothing new there.

I welcome any comments, suggestions or questions, at [standley@racsa.co.cr](mailto:standley@racsa.co.cr)

# THE LAND VALUES RESEARCH GROUP

## A report on Australia's premier Geoist research organisation by its director, Bryan Kavanagh

The *Land Values Research Group* (LVRG) was formed in 1943, following a visit to Australia by the Canadian land economist, H Bronson Cowan, director of the International Research Institute on Real Estate Taxation. He conducted research in the cities of Brunswick and Camberwell in Victoria, employing techniques that so impressed a number of professional people that they formed the LVRG in order to continue these studies.

The object of the LVRG, as set out in its Constitution, is "to undertake research into land and natural resource rental values in order to advance the practical implementation of the ideas of Henry George." Under the directorship of the late Allan Hutchinson for its first 45 years, the LVRG published 37 papers, including Victorian and interstate rating studies, decentralisation studies, surveys on leasehold and freehold tenures, primary production surveys, and several submissions to Inquiries and Royal Commissions., in comparison with imposts levied upon the value of improved properties, or on production, employment or trade.

Local government rating in Victoria was initially based on the Net Annual Value (NAV) of properties, that is, on the calculated net rental value of land and improvements over a twelve month period. There was no provision for Site Value (SV) rating of properties, exclusive of their improvements. Although an Act was passed on 3 February 1914 permitting municipalities to change to

Unimproved Capital Value (UCV) [later to become Site Value (SV) rating], it was flawed. No such a change could be made until the UCVs for the whole State had been assessed under the Land Tax Act 1915 and made available for local government use. As four years had passed without any such proclamation by the Governor-in-Council, EL Keirnan moved a private members Bill in the Legislative Council on 19 November 1919 which allowed, in Keirnan's own words:

*"...that if municipalities desire to adopt this system of rating they may do so without waiting any longer for the land tax valuations. The Bill goes on to provide how valuations are to be made. It will permit the municipalities to have valuations made by local valuers."* (Hansard No. 20)

### Without fail, all demonstrated distinct benefits in drawing revenues from the unimproved value of land

Although the Bill received assent from all parties, Keirnan did not leave the matter there. He established the following into the second plank of the ALP's Municipal Platform:

*"All Municipal Taxes to be assessed on the Unimproved Value of Land. Amendment of the Local Government Act to make such rating compulsory."*

This provided a guide to the ALP and Trades Unions, and played an important part in the early adoption of unimproved rating, often leading to a change to their local government rating system either by council initiative, or by ratepayers' petitions demanding a poll to change the rating base.

Up to WWII, fifteen Victorian councils had moved from NAV to SV. After the war, another 69 councils made the change. Whilst the General Council for

Rating Reform, advocating 'the rating of site values instead of improved values', would usually lend support local groups seeking this change, it was often LVRG local government studies, sometimes undertaken at the request of the particular local council, that proved to be the 'clincher'. They invariably showed that a move to Site Value rating would assist council to promote orderly development, favouring those who developed their land, and penalising speculative holders of vacant or underutilised parcels.

Some people argued, often from self interest, that the LVRG studies were either incorrect or too simple. They provided few countervailing arguments, usually being underpinned by extraordinary statements, such as "Our municipality is fully developed, so SV rating would be of little assistance to us now." Or, "People understand improved value rating, but they don't understand the SV component of their improved property". Whilst the first statement ignores that SV also promotes redevelopment within municipalities, the second sold people short who understood all too well the case made in the LVRG studies.

### They invariably showed that a move to Site Value rating would assist council to promote orderly development, favouring those who developed their land, and penalising speculative holders of vacant or underutilised parcels

Moreover, using a static equilibrium model, Professor Kenneth M Lusht, Chairman of the Department of Insurance and Real Estate at the Pennsylvania State University, conducted a cross-sectional analysis of 53 of Melbourne's municipalities in 1992. Almost half of these rated on SV. In *The Site Value Tax and Development*

*Patterns: Evidence from Melbourne, Australia*, Lincoln Institute of Land Policy, Cambridge MA, 1992, he concluded:

*"There is evidence of a long-run association between the use of the site value tax and the intensity of development, and indications that the use of the site*

INTERNATIONAL ASSOCIATION OF LAND VALUE INVESTORS

value tax stimulates faster development. Taken together, these results support to varying degrees recent analyses of the site value tax which conclude that the tax is non-neutral, encouraging faster and more intensive development.” [p 43]

**So much hard work at local government in Victoria since 1914 had been lost in one fell swoop!**

So, professor Lusht’s conclusions also supported those of the LVRG, and of the following inquiries, all of which recommended Site Value rating:

- Australian Country Party, 1933*
- Royal Commission on Local Government Finance, 1958*
- Queensland Committee of Inquiry, 1960, chaired by Sir A Bridge, QC*
- Queensland Inquiry, 1964, chaired by NL Buchan*
- Queensland Inquiry, 1966, chaired by Justice Hardy*
- NSW Royal Commission of Inquiry, 1967, chaired by Justice Rae Else-Mitchell*
- Land Institute Report, Whitstable, UK, 1963 & 1973*
- NSW Commission of Inquiry into Land Tenures, 1973*
- New Zealand Internal Affairs Department Coordinating Committee, 1989*
- Wellington City Committee, 1989*
- Queensland Committee of Inquiry, 1989, chaired by Sir Gordon Chalk, KBE*

In August 1993, the Office of Local Government issued a report entitled *Rates: proposals to improve Victoria’s Municipal Rating System*, confirming its intention to have these ‘reforms’ proclaimed for the 1989 Local Government Act (LGA). The report, a re-hash of a poorly researched paper by the Municipal Association of Victoria, eschewed all of the abovementioned inquiries. It did, however, offer an almost irresistible bribe to those councils who switched from either NAV or SV rating to the Capital Improved Value (CIV) rating system: they alone could strike differential rates in the dollar, virtually on whatever basis they saw fit (regardless of this action having the effect of distorting the rating base.) Moreover, the democratic right of 10% of ratepayers to demand a poll to

change the rating basis was to be written out of the amended LGA. There was to be no such provision in future.

The Site Rating Defence team of Phil Anderson and John Bennett produced strong rearguard action, gaining strong headlines in favour of retaining and strengthening SV rating,

but people weren’t listening. They were otherwise engaged—trying to make a living—the early to mid 1990s was a time of deep recession and social turmoil in the aftermath of the property bust of 1990.

The proposed amendments to the Local Government Act 1989, unashamedly directed at achieving CIV rating, passed through the Victorian parliament in a number of instalments in the mid to late 1990s. Subsequently, all but three SV rating councils have been able to avoid the logic of the innumerable inquiries supporting the ideas and equity behind SV rating, but found themselves unable to resist the blandishments accompanying a switch to CIV rating. So much hard work at local government in Victoria since 1914 had been lost in one fell swoop!

Directed by Bryan Kavanagh since the late 1980s, and under the patronage of the Honourable Clyde Cameron, AO, and Sir Allen Fairhall, KBE, the LVRG took the step of altering its focus from a largely local government approach to a federal government one. Whilst this did not please everybody, the rationale was that that good research was being conducted in a number of Pennsylvanian cities which would to some extent reinforce and update earlier LVRG studies. So, with a view to directing limited resources into a new area of research this seemed to be a logical change.

In 1997/98 the LVRG sponsored a *National Tax Reform Challenge*, offering a \$25,000 prize for the best attempted refutation of Phil Day’s **Tax Reform –**

**a Rational Solution.** The idea was to achieve publicity for the Geoist alternative to the proposed Goods and Services Tax. *The Challenge* was launched through newspaper advertisements, and attracted between 300 and 400 requests for copies of the document to be refuted, including many from within academia, several from think tanks, and two from State treasury departments. Positive feedback was received on the excellent quality of **Tax Reform – a Rational Solution.** The competition was adjudicated by two independent academic economists. One of the two joint winners, Dr Julie Smith, argued to the effect that the LVRG case was unassailable, but politically impractical, due to the ‘geese hissing’ that it would engender from powerful vested interest.

Tony O’Brien’s tragically brief involvement with the LVRG was rich nonetheless in the sheer scope of statistical material he used to make the Geoist case. His *Land Monopoly and Income Polarisation in Australia 1950 to 2000* drew all the threads together beautifully in the 2001 September/October special edition of *Progress*.

Meanwhile, although Australia is wealthy in property sales data at State and Territory level, no collection nor analysis of this data has been conducted on the national level. Neither the Australian Bureau of Statistics, the Reserve Bank of Australia nor federal Treasury know anything at all about the condition of ‘Australian property market’ or its influence on the national economy. The LVRG set out to remedy this situation. The following recent LVRG media release received favourable publicity on Alan Kohler’s financial segment in the ABC-TV news, in the Australian Financial Review, and in Hong Kong-based financial analyst Marc Faber’s *The Gloom, Boom & Doom Report*:-

**The LVRG is sponsoring exciting investigations ..... into the taxable capacity of Australia’s land and natural resources**

“The graph below trends from 15% to 23%. ‘Up’ movement against the notional trendline may be regarded as property booms. On the other hand,

# OBITUARY

We regret to report the death of Len brown on April 21.

Son of a keen Georgist, Len made a major contribution to the Georgist cause over many years. He was a member of the then Henry George League, being Treasurer for a long period; he was Company Secretary of the Henry George Club for a considerable period; he was a Trustee of the Henry George Foundation of Australia for a long period.

He was an active and key member of the (sadly) now defunct General Council for Rating Reform, and played a major role in obtaining site value rating for various municipalities. The fact that many of these areas have now lost site value rating as a result of externally imposed decrees does not, in an important sense, negate the value of the efforts of Len and his colleagues, because the statistical work of the Land Values Research Group is lasting proof of the value and efficacy of site value rating.

Len was also one of a trio of Melbourne Georgists who participated a program on Georgism on ABC television in the 1970s.

Len's steady devotion to the Georgist cause has indeed been an inspiration. Our deep sympathy is extended to his family.

- Geoff Forster

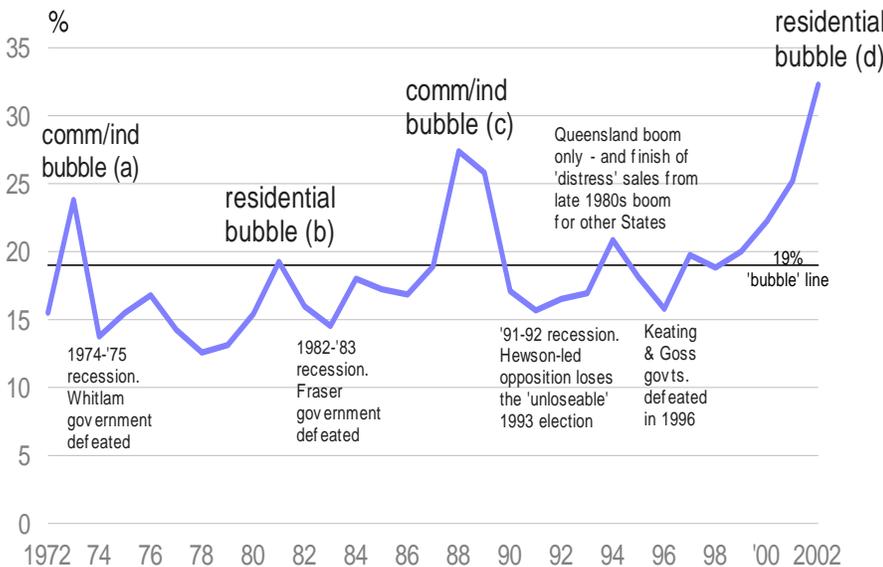
**“Whilst the land, the only true source of independence, remains thus imprisoned, money is a mirage, employment is slavery, democracy is privilege, charity is injustice. We may no longer be hanged for stealing loaves of bread in dire necessity, but that too is only a legal fiction, a paper privilege often withdrawn in times of war and scarcity.”**  
- Steve Wall

downward movements against the trend are clearly not booms. It appears that real estate booms transform into a lethal 'bubble' at a ratio of 19%. An exception to the rule was in 1993/'94 when Queensland experienced a property bubble but other States--still contending with the final 'distress' sales emanating from the bursting of their 1987-'89 bubbles in 1990--did not.

The Australian 'bubble line' has been pitched empirically at 19% because no recession ensued in the property abysmally at times such as these to decline of 1985/'86, following the peak discriminate between productive and of the real estate market at a ratio of speculative behaviours.”

State stamp duties on real estate transactions and of State land taxes--the latter with notorious exemptions, thresholds, multiple rate and aggregation provisions--in favour of the introduction of an all-inclusive, one rate federal land tax. It would be fully rebated back to the States and administered by the Reserve Bank of Australia (RBA). Such an economic weapon would be more useful to the

## Ratio of Real Estate Sales to GDP: Australia



Copyright: Land Values Research Group 2003

18% in 1984. It will be seen that the property to GDP ratio is currently running at a remarkably high ratio of 32.28%. It appears that once the Australian real estate market migrates from boom into bubble, economic recession may be expected to ensue approximately one year following the bursting of the bubble. Swinging voters, those not 'welded on' to either one of the two major parties, will usually then throw out the government of the day at the next election.

In order to keep the lid on recession-inducing property bubbles, a strong case can be made for the scrapping of

Finally, with invaluable support from the Henry George Foundation of Australia, the LVRG is sponsoring exciting investigations by Australian taxation expert, Dr Terry Dwyer, into the natural resources. Initial results are more than encouraging for the Geoi case, and are likely to confound those academic naysayers who continue to hold--without conducting investigations of their own--that the rent of natural resources is likely to be in the order of 'only one or two percent of GDP'.

\*\*ooOOoo\*\*

## LAND TAX ALSO A USEFUL TOOL

From *The Australian Financial Review*, 13/6/03

Doug Shaw's "Use tax to burst bubble" (AFR letters, June 11) is absolutely spot on. Ian Macfarlane, governor of the Reserve Bank of Australia, is fighting with one hand behind his back because interest rate policy simply does not discriminate between speculative property investment and productive enterprise.

We need to take it a step further than Shaw's excellent suggestions, however. We ought to scrap state land taxes, with their notorious thresholds, exemptions, multiple rates and aggregate provisions, in favour of an "all-in", single rate federal land tax, administered by the RBA and rebated back to the states.

With both interest and land tax rates as tools at his disposal, the governor would have all the weapons he needs to bring recalcitrant land boomers to heel.

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

## NO FUNDS FOR FREE-WAY?!!!

From *The Age*, 21/4/03

In breaking his promise not to charge tolls on the Scoresby Freeway, Premier Bracks said it was because there were now no funds. However, some years ago, such projects were funded by the issue of government bonds. Other states can still issue bonds to fund capital works, why can't Victoria? The Government could then keep its promise and collect the \$445 million from Canberra.

A special tax on the increased land values created would cover the interest and repayment of the capital. If such a tax is not imposed huge profits will be made by speculators and developers at the expense of taxpayers in general.

- David Barkley, Box Hill, Melbourne

## 3 letters from *The Sydney Morning Herald*, 9/6/03

### LUNACY!

What lunatic in the Liberal Party came up with the idea of allowing banks to enter into an equity-sharing arrangement with home buyers?

All it would do is push the price of houses up even further as people find they have greater buying power and end up making it mandatory to use the banks' money to get on the property ladder.

How about reducing the upward pressure on prices by reducing the attractiveness of housing as an investment?

Heaven forbid, we could actually make the community think of housing as something primarily to live in, rather than something that the rich make windfall tax-reduced capital gains on.

- Geoffrey Newman, Granville

Doesn't the Prime Minister realise what people who desperately want a house will pay the maximum they can afford? It seems our "free market" Government hasn't yet learnt about supply and demand.

The only effect of plans to "slash" the home ownership costs will be a 30 per cent rise in prices. The beneficiaries will be existing home owners and the banks.

- Steve Collins, Warrawee

### GIFT GONE WRONG

I cannot believe the proposal for financial institutions to share housing ownership with purchases ("Dream of cheaper homes now in PM's hands", *Herald*, June 6). Like the health insurance subsidy, this is a gift subsidy to the real estate industry. Like the first home owners' scheme, it will be inflationary; although individuals benefited from that scheme, the \$7000 "gift" was money in estate agents' pockets.

The reaction was not to make a \$400,000 home more affordable, but to make a \$400,000 home cost \$407,000 - effectively making ownership more difficult for the many who did not qualify for the subsidy.

If the Prime Minister wishes to make housing more affordable, he could start at the root cause: the belief that housing is for profit as well as for shelter.

- R. Goodwin, Narara



### "SLASHING" HOME COSTS

I was appalled by your article on the so-called "slashing" of home prices.

## **RATES – DON'T BE FOOLED!**

*From The Knox Journal 21/5/03*

Your article of May 14 endorsing a rates change made no distinction between developers who actually develop land (and employ people) and so-called developers who don't develop (speculators). Under the present Site Value (SV) rating system (which may shortly be scrapped by Knox Council), the former are financially encouraged and the latter discouraged.

In contrast to the claims made by vested propriety interests, numerous studies by the independent Land Values Research Group have shown that, under SV, the majority of ratepayers (home-owners) would pay somewhat less and the minority (holders of idle land waiting for rezoning) would pay considerably more. Unfortunately, ordinary homeowners don't have the organisational skills or financial backing to lobby as vigorously as speculators. These speculators, with the prospect of huge windfall profits due to rezoning under their preferred Capital Improved Value rating system, will forever continue to be a corrupting influence over local councils.

- Karl Williams, Tecoma, Melbourne

## **SELF-SERVING SOPHISTRY ON RATES**

*From The Knox Journal 21/5/03*

It has come to my notice that your paper has printed several myths about the proposed switch from SV rating, which taxes land alone, to CIV rating, which taxes land AND buildings (May 14, p.5).

**MYTH:** Home owners will win and developers will lose.

**FACT:** Home owners own buildings, while developers buy bare land and wait for it to be rezoned. So, if you include buildings in the tax base and re-

duce the rate to maintain overall revenue, home owners lose and developers win.

**MYTH:** Most ratepayers will pay less.

**FACT:** Most ratepayers own buildings and will therefore pay more.

**MYTH:** The overall effect will be positive.

**FACT:** Taxing the value of buildings discourages building and renovation, causing a shortage of accommodation and forcing up rents.

If you want to know who is peddling these myths, just ask who stands to gain from the change to CIV.

- Gavin Putland, Brisbane

## **WHY THERE IS A NEED FOR PUBLIC HOUSING**

*From The Age 29/5/03*

Phil Spencer of the Property Owners Association claims in his letter (28/5) that further public housing is unnecessary because "there is no shortage of housing in the suburbs". On the contrary, the chronic failure of the private sector to provide affordable and adequate housing to those on low incomes created the need for slum clearance and the construction of public housing.

Today, there are still tens of thousands of Victorians, including people with disabilities, who cannot afford the private rental market. Unfortunately, the Federal Government is not interested in public housing, instead providing subsidies for low-income people to rent privately – even though this is a less cost-effective way of using taxpayers' money than building new public housing stock. In effect, this subsidy is a handout to landlords rather than needy tenants.

- Frans Timmerman, Brunswick, Melbourne

## **SCORESBY FREEWAY TOLL**

*From The Age, 19/4/03*

As land values rise with the construction of the Scoresby freeway, speculators and developers will make huge profits while the poor taxpayer will pay. A special tax on land values should be imposed to address this inequity."

- David Barkley, Box Hill, Melbourne

*Letter to the Editor, 4/6/03*

In your May-June issue David Smiley, in his interesting article, writes that, since Henry George's time, "Georgist strategies have mostly targeted the 'man-in-the-street', and I believe this strategy has led us into the wilderness".

In support of an opposite view, may I cite the instructive article in your same issue, "The Danish Lesson" by Geoff Forster. This contains Louis Wasserman's assessment (1963) as to what went so drastically wrong in Denmark: the one country to date where Georgism achieved a remarkable stage of government implementation – with positive fruitage, but was then thrown out.

These statements in the assessment surely take us to the heart of the matter: "the Danish Georgists had not sufficiently educated the public in their principles" – "only a few votes understood that they actually benefited from LVT" – and (most damning of all) – "most voters regarded LVT as a tax like any other".

So by the utilising of that misleading (and most dreary, to boot!) term which has dogged our footsteps for more than a century, it seems we were right from the start headed for disaster!

I think it is time we examined more closely the term "land value taxation", and so I am enclosing here my letter to the Scottish Office in which I examine

what appear to me the inherent weaknesses of that term [*Ed: see extract below*].

I would also refer to David Smiley's point where he writes that "modern economics contains all that Georgists need in order to acquire professional respectability". But I doubt if that is quite the point! And I much doubt if "professional respectability" is a trustworthy aim – or even a worthy one! I cannot help recalling Mason Gaffney's delicious summing-up of the ruin today's "professionally respectable" economists have made of the minds of the students entrusted to their care: "... tendentious mental conditioning calculated to impoverish their mentality ... bend their minds ...", etc! (Land and Liberty, Jul-Oct 94 p.3) One thing is for certain: Henry George was found to be professionally most decidedly unrespectable in his time! Yet none, since he, has moved the world as he did.....

I must add, ere closing, a word on the valiant endeavour by Scotland's Green MSP, Robin Harper, to introduce a bill for LVT into the Scottish Parliament, (his excellent speech in your same issue.

I well understand, of course, that it is by such a term only – ("a term of concealment", as my letter to the Scottish Office sums it up) - that it could possibly be hoped to introduce such a bill into such a body. The fact that our so-called "Scottish Parliament" could be got to line up behind Tony Blair to vote for war against Iraq – (a war to which the majority of the Scots were deeply and strongly opposed) – surely tells us just how much that Parliament represents the actual people of Scotland. The Scottish Parliament (as practically every Western Parliament today) is riddled with the landed interest: that is, the interests of the land-monopoly-based Establishment - under whatever colour; and the clarity and purpose of the term "rent for revenue" – (demanding full national control of Scotland's finances as well) – would not have a hope of being taken on board by such a body.

I wish Robin Harper and his team the very best in their endeavour – but it places all the greater onus on those able

to work outside that powerhouse of the landed interest, to move this radical reform forward using its true and radical terminology, if the people of Scotland are not, in due course, to go the way of the Danes.

Yours truly  
Shirley-Anne Hardy  
Pitlochry, Perthshire, Scotland

*Extract from the abovementioned letter to the Scottish Office:*

There term "rent"- more precisely "rental value" – is the essential term descriptive of this reform. The reason is that rental values are community-created. The collection of community-created values to finance the community's needs is thus in accordance with natural law of an elementary kind. In the sphere of revenue-raising, natural law stands for those higher laws which are infallible and non-manipulative, as compared with human ones which are both manipulative and fallible. There can therefore be no questioning of the fact that these rental values, originating from the community, must be returned to the community from which they originate. To sum up:

1. The dedicating to the community's needs of the rental values it has itself created meets a moral imperative as well as a practical one.
2. The applying to the community's needs of its own rental values strengthens and empowers the community and every member of it.
3. The financing of the community's needs from its own rental values (as opposed to taxation), promotes a background of stability against which society can successfully operate – arbitrary human tax-devisings forming no part of that scene.
4. The setting out of the question of revenue thus, in its correct terms, also enlightens and educates the public on a matter of primary importance for their well-being – a matter upon which there has been a long and artful cover-up.

In contrast – I have come to recognise over the years that the term "land value taxation" – where used mistakenly by its prompters (and I gather most have written to you under this term), or deliberately by its opposers - is essentially a term of concealment, since it places this reform within the brackets of a tax.

The nature of a tax is essentially as follows:

- (a) It is an arbitrary demand: that is, a demand which accords with the dictates merely of a collection of – entirely fallible - human beings. It is thus the opposite of moral.
- (b) It is imposed from above, and is therefore essentially contrary to the idea of community empowerment.
- (c) It has no certainty of continued operation – taxes change notoriously from one year, and from one budget, to another. This makes a ruinous background for human activity, including business activity, being essentially de-stabilising.
- (d) It is dis-educative of the people as to a fundamental right - that of enjoying the values which they themselves create; and amounts (as stated above) to a term of concealment.

In short, by the term "land value taxation", the land rent reform is indeed trivialised.

**We have not only been divided and conquered, we have been split into individuals all pursuing our personal dream and eating up the future. The corporations direct the government and we support the corporations as most of us graze mindlessly in shopping centres and devote most of our lives to working in useless jobs propping up a cannibalistic economy.**  
- Sheila Newman

Melbourne's  
Lloyd  
Churches  
reports on the  
Fourth Global  
Conference on  
Environmental  
Taxation, held  
in Sydney re-  
cently



Never have I met and talked to so many people interested in protecting our environment than at the Fourth Annual Global Conference on Environmental Taxation in Sydney on June 5th to 7th, 2003. The conference started with an evening of meeting the 151 attendees from 21 nations over drinks and nibbles. This in retrospect was one of the most productive times of the conference as I found myself promoting the ideas

of Prosper Australia to people from New Zealand, USA, Singapore, Germany and of course Australia. To my surprise they were generally quite open to our ideas.

The next morning we heard a speech from Australia's Environment minister, Dr David Kemp. It became obvious to me that many at the conference did not like his approach to environmental problems. He said "All environmental problems need money" and that this was a great challenge. "Taxes are only one measure" he said and his government seemed to prefer mainly other measures like subsidies, rebates and trading schemes for water rights. He mentioned \$150 million grant to the QLD land-clearing problem. He summarised his strategy as empowering people, communities and businesses to achieve solutions themselves instead of heavy-handed government involvement. This was interpreted by most as doing far too little, too late. Throwing taxpayers money at the problem instead of taxing the problem was just the easiest political move to make.

The next talk was from Dr Jean-Philippe Barde of the OECD Environment Directorate. He presented an excellent summarization of the state of environmental taxes of the OECD countries. He highlighted the ridiculous state of energy subsidies with 1500 tax exemptions on their database! In general, subsidies were regarded as a huge problem and these must be removed before taxes can be levied. One of the biggest hin-

ders of removing subsidies and adding environmental taxation is international competitiveness.

Scientist Professor Tim Flannery gave our international visitors a fascinating picture of Australia in terms of its incredible biodiversity before painting a very gloomy picture of the state of the salinity crisis. Western Aus-



tralia is in rural decline as all rivers are affected and the salt is rising and killing all plant species. Forty percent of primary production comes from the Murray Darling basin and we are in danger of losing it all! "We only have one chance" he said. "We must act now and get it right first time". He couldn't see a solution forthcoming. It's likely no-one has the strength or power to do anything about it.

Over 50 papers had been presented to the conference and the authors were each given time to talk about their paper. Karl Williams gave a spirited presentation on "Land Value Taxation: the Overlooked but Vital Eco-tax" [Ed: this paper is reprinted on pp.23-28]. Discussion afterwards focussed on the problem of bankruptcies for homeowners and the banks. Two young Australian men took quite an interest and I overheard them afterwards comment on the problems of implementation. But then one said to the other "but can you see yourself ever owning a property. Prices are around half a mill and it's just getting worse!" to which the other said "Yeah, this might really become a huge political force in 10 years or so!"

Jeff Smith, president of the Geonomy society has been to all 4 conferences and this time he gave two papers: "The Property Tax Shift: How to maximise the environmental tax shift" and "Public Policy! Front and Centre! Can eco-taxes counter subsidies?" Jeff's research was outstanding and showed just how many billions of dollars of income tax is going into private hands and

property prices via subsidies. If we instead took the rent of land and other resources we could easily afford a citizens dividend. He also pointed out that many energy or carbon taxes would not be required if we just took the rent from the source, when oil and coal was extracted.

A similar idea of a dividend has been presented by Clive Hamilton of the Australia Institute ([www.tai.org.au](http://www.tai.org.au)). In his talk he presented his new policy called the Super-Carbon Scheme whereby the government would deposit \$500 into the superannuation accounts of every adult Australian each year. Then revenue would be raised through a carbon tax thus reducing Australia's greenhouse gas emissions. Now instead of grumbling about paying higher petrol prices, Australians would gladly pay, knowing they are contributing to their retirement! This to me highlights how citizens' dividends are a good political incentive to the masses to support natural resource charges.

Everything gets back to politics! That's how I sum up the message from former Treasury Department advisor Dr. Steve Hatfield Dodds. If we put all the economists together then they all agree that environmental taxation is very efficient and is the best way to increase a country's social and environmental well-being as a whole. The problem is that there are always winners and losers and the losers make a lot of noise with help from the media. In this scenario politicians give in. Steve suggests we all work to help our politicians especially in times of stress from the media and powerful lobby groups.

For me the conference was an intellectual feast (not to mention the buffet lunch feasts which were amazing!). There were so many good ideas and papers presented and it will take some time to digest them all. I picked up quite a lot of material to read from the tables in the hallways and I hope to read them over the weeks to come. I feel more than ever committed to spreading the ideas of our organization in a planned and clever way. Although we have a long way to go, there is evidence that the tide is turning and more people will start embracing the idea of raising revenue from natural resource charges and removing tax on income and capital. We need to be ready for the time when the masses are experiencing a crisis and then deliver the solution. ■

# Economics at the Turning Point

*“After a time of decay comes the turning point. The powerful light that has been banished returns. There is movement, but it is not brought about by force....The movement is natural, arising spontaneously. For this reason the transformation of the old becomes easy. The old is discarded and the new is introduced. Both measures accord with the time, therefore no harm results.” I Ching*

Are economics at this *turning point*? Certainly many eminent thinkers believe that we are living at a time of huge change in every sphere - is this change now about to take place in the realm of economics? In my previous two articles in Progress March/April and May/June I have looked at the psychological reason why humanity appears to be unable grasp and implement the simple fundamental and self evident economic verities that could lead to social justice and a sustainable planet. In this article I will endeavour to set out the nature of the *paradigm shift* that will be called for to enable this to happen by considering the extraordinary psychological change that has had to take place within the last century or so in the material sciences.

The expression *paradigm* is one that is used to describe the governing thinking and principles of any discipline. Within the material sciences, in particular the science of physics, there has been a revolution of thinking through the discoveries in the quantum field and by the theories of relativity of Albert Einstein. This revolution has brought about a *paradigm shift*, a completely new way of looking at the world. This is usually known as the new scientific *paradigm* and sometimes as the *vitalist paradigm*, as opposed to the *mechanistic, reductionist paradigm* that has governed science for 300 years since the time of Descartes and Newton as described here by Fritjof Capra in his Tao of Physics: *“In modern physics, the universe is thus experienced as a dynamic, inseparable whole which always includes the observer in an essential way. In this experience, the traditional concepts of space and time, of isolated objects, and of cause and effect, lose their meaning...”* In spite of



Our economic philosopher-at-large, England's **Timothy Glazier** (here pictured with partner Vicki at the Kumbha Mela festival in India) is back with the final of his thought-provoking trilogy

this it is important to point out that this *new paradigm* is not universally accepted and much in the world of material science is still carried on under the dominance of the old *mechanistic* world view - and this goes for what is still taught in schools and colleges and governs society's approach to life, because, needless to say, this old view is deeply ingrained in our culture and is what governs the way we all think and look at the world.

The word *paradigm* was adopted for this purpose by Thomas Kuhn in his book The Structure of Scientific Revolution in which he set out to

identify what has taken place through history within science at the points when a fundamental change had taken place. He sets out how there might be a gradual arising of anomalies under the old paradigm however:

*“...though scientists may begin to lose faith and then to consider alternatives they do not renounce the paradigm that has lead them into crisis... (but)...once it has achieved the status of paradigm, a scientific theory is declared invalid only if an alternative candidate is available to take its place...”*

This may take a very long time and many will be quite unable to make the change as Max Planck, one of the fathers in the development of quantum physics, declared in his autobiography *“...a new scientific truth does not triumph by convincing its opponents and making them see the light, but rather its opponents eventually die, and a new generation grows up that is familiar with it...”*

To readers of Progress all this will be very relevant if applied to the field of economics. What I would like to suggest is that it is precisely the same world view that has gov-

erned economics as that which governs the material sciences - economics, for several centuries, has been in the grip of the *mechanistic* world view based on the assumption that the

**this old view is deeply ingrained in our culture and is what governs the way we all think and look at the world**

universe, and all the social structures in it are mechanical and that by examining and tinkering with the parts of that machine, and applying *linear* thinking, the machine can be understood and improved. Does

precisely the same world view that has governed economics as that which governs the material sciences - economics, for several centuries, has been in the grip of the *mechanistic* world view



this not typify the manner in which economists and politicians approach the problems of society and why they appear to fail to comprehend the fundamental error of thinking that underlies economic injustice. However, it would appear that we are approaching that crucial point at which things are going to get steadily worse until somehow or other, through insight, sheer necessity or the intervention of grace, a new way can be implemented.

Is there such a way? Well, I know that readers of Progress believe that there is, as does Fred Harrison who states in the book he wrote with Mason Gaffney, The Corruption of Economics:

*“...the world needs a new paradigm - a new conceptual framework, or a model, which coherently explains how society works. Only then can we formulate proposals for the appropriate reforms.*

*Such a paradigm does exist. It has been lurking like a ghost in the literature of scholars and artists for over 200 years. It could be called by one of a number of names, but the label that economists and historians would recognise would be “the Georgist paradigm,” after the American social reformer, Henry George. (1839-1897).*

*Over the past century, attempts to transform Henry George’s central idea into social reality have been made by men of action like Winston Churchill, and sensitive artists like Leo Tolstoy; but to no avail. The force of unreason was overwhelmingly against them. Why, then, do I*

*think the time is now ripe for the Georgist paradigm to find expression through social evolution? The conditions that favour the advent of a new epoch do appear to be in place, for the conventional paradigms are generally perceived to be discredited by the facts of life....”*

OLD PARADIGM	NEW PARADIGM
Linear thinking	Systems thinking
Atomistic/dualistic	Holistic
Quantitative	Qualitative
Secular	Spiritual
Objective	Reverential
Mechanistic	Evolutionary
Technological	Ecological
Alienating	Participatory
Analysis	Synthesis
Separation	Inter-connectedness
Rigidity	Flexibility
Certainties	Probabilities
Discord	Harmony
Matter	Energy fields
Slavery	Freedom
Destruction	Homeostasis
Immoral	Ethical

This discrediting is also described by Fritjof Capra in his new book, The Hidden Connection, in which he says:

Analysis by scholars and community leaders ... show that the ‘new economy’ (by which he is referring to the old economic paradigm) is producing a multitude of interconnected harmful consequences - rising social inequality and social exclusion, a breakdown of democracy, more rapid and extensive deterioration of the natural environment, and increasing poverty and alienation. The new global capitalism has also created a global criminal economy that profoundly affects national and international economies and politics...and with the pursuit of an ill-conceived biotechnology it has invaded the sanctity of life by attempting to turn diversity into

monoculture, ecology into engineering and life itself into a commodity.

Elsewhere in the book Capra says:

*.....the key challenge for this century, for social scientists, natural scientists and everyone else - will be to build sustainable communities, designed in such a way that their technologies and social institutions - their material and social structures - do not interfere with nature’s inherent ability to sustain life.*

**A new Economic Paradigm**

This final statement by Fritjof Capra can give us the clue to the nature of the *new economic paradigm*, both that it should be sustainable and that humanity’s institutions do not interfere with, but work with nature’s ability to sustain life. This I take further in the diagram below which presents the main differences between the qualities and characteristics governing the *old paradigm* and the *new*. For this I have drawn on a similar diagram from a paper under the title of Eco-Philosophy by Henry Skolomowski.

This diagram I feel needs no further explanation but as we look around the world today we can see the qualities expressed in the right hand side of the diagram beginning to surface - this revolution has already started. Its expression can be seen

**The new global capitalism has also created a global criminal economy that profoundly affects national and international economies and politics**

in a number of fields, not just in the realm of new physics but in the whole ecological movement with the growth of the new consciousness of respect for the planet and indeed for all forms of life and even a new

sense of responsibility within the commercial world. It is expressing itself in the new spiritual searching, in what might be called ‘new-age’ thinking, the seeking after alternative life styles, the interest in complementary medicine, in all forms of healing, in experiential practices such as meditation and yoga and other techniques of self develop-

ment, in the rejection and fear of the dominance of technological innovation which has expressed itself in the reaction to genetically modified foods and in the growing popularity of organic foods. It can be seen in the work of many authors, such as Fritjof Capra, endeavouring to give expression to this new world-view. Other writers within the realm of economics itself - particularly in the field of alternative, non mechanistic, approaches to economics where the emphasis is always upon the creation of a sustainable environment, together with economic justice for all. One of the leading figures in the economic field in this respect is James Robertson who writes in his book The Sane Alternative:

*"...instead of accelerating we should be changing direction: ...the key to the future is not continuing expansion but balance - balance within ourselves, balance between ourselves and other people, balance between people and nature...the crucial new frontiers for growth now are social and psychological, not technical and economic..."*

Another leading thinker in this area is Hazel Henderson who in her book Paradigms in Progress says:

*"The premise of my work over the past fifteen years was studying the transition of industrial societies from their non-renewable resource base as they shifted towards a new base of renewable resources. This transition is both inevitable and evolutionarily necessary, and the only question is whether industrial leaders will recognise this shift and work with it or continue to try to override it..."*

As I have suggested above, I believe that the science of economics is stuck in the *mechanistic* age and it looks upon the planet and all that it provides simply as a commodity to be exploited - a concept that dates back to the establishing of mechanistic science some 300 years ago. This old paradigm embraces the phenomenon of growth and all emphasis is upon consumption. Be-

cause it lacks the holistic view it fails to see that the universal energy sources provided free for mankind's use and which are manifest through nature in the form of the annual value of land and natural resources, a value known to the classic economists as the *Economic Rent* which constitutes the natural source of public revenue and which for centuries has been allowed to be claimed into private ownership without recompense to the community. This has recently been again set out with great clarity, this time by medical doctor George Miller in his new book Dying for Justice in which he claims to over 50,000 people a year die prematurely in Britain from causes that can ultimately be traced to the social and economic havoc wreaked by the UK government's archaic way of col-

**in the rejection and fear of the dominance of technological innovation which has expressed itself in the reaction to genetically modified foods and in the growing popularity of organic foods**

lecting the public's revenue:

*Inequity reigns when the State allows Rent to be privatised. Worse than that, the community, deprived of its natural revenue for welfare, is forced to tax the productive sector. But as is well appreciated by the Treasury, such taxes are a burden. They create economic inefficiencies, and thereby cause the need for welfare...*

So to conclude I would like to return to my opening quotation from the I Ching "after a time of decay comes a turning point.." What I would like to suggest is that for the world of economics that turning point has come from which a sustainable planet can be created and in which economic justice dominates - though it may take some years to become fully manifested - a sentiment borne out by Fritjof Capra,

this time from his book appropriately called The Turning Point:

*I have come to believe that today our society as a whole finds itself in a similar crisis to the crisis in physics in the 1920's, it derives from the fact that we are trying to apply the concepts of an outdated world view - the mechanistic world view of Cartesian/Newtonian science - to a reality that can no longer be understood in terms of these concepts. We live today in a globally interconnected world, in which biological, psychological, social, and environmental phenomena are all interdependent. To describe this world appropriately we need an ecological perspective which the Cartesian world view does not offer. What we need is a new paradigm - a new vision of reality: a fundamental change in our thoughts, perceptions and values. The beginnings of this change, of the shift from the mechanistic to the holistic conception of reality, are already visible in all fields and are likely to dominate the present decade..."*

**\*\*ooOOoo\*\***

**GIGGLES & GROANS**

**WE'RE ALWAYS OPPORTUNISTS!**

It had been a beautiful wedding ceremony, and the packed church was obviously appreciative. As the end drew near, the priest put up his hands to draw attention to the solemn moment, "Friends, before I proclaim this couple husband and wife, is there anyone here who has anything of importance to say of which we should be aware?"

A hush descended over the congregation until there was dead silence in the church. A few awkward moments of stillness passed as the priest scanned the crowd until the silence was broken by a man up the back:

"Well, if no-one else has anything to say, I'd like to talk about Henry George!"

😊 😊 😊

# How I "Saw the Cat"

*John Poulter continues our autobiographical series wherein we relate how we arrived at Geoism and maybe even experienced that Big Picture Revelation (hence the title)*

In 1961 with the aid of a newly acquired extended family I commenced construction of a house in Lower Ferntree Gully which was part of the newly created Shire of Knox, in eastern suburban Melbourne.

The ¼ acrea block was located on the corner of Nathan and Norman streets south of Listerfield road. Both these streets were unmade complete with open drains, privet water reticulation and no sewerage. Being a vacant block when I purchased this my first home site, the Rates were just a token. On completion of the house in early 1964 we became real ratepayers and for what? Nothing had changed; the services were just the same. The NAV system of rating was so cruel to young battling families like ours that when I read about an up and coming public meeting on rating reform I felt I just had to attend.

The rating reform meeting was held in Bayswater and organized by the Henry George League. The hall was packed full with struggling families just like mine and concerned farmers. The audience hung on every word the four speakers uttered. And guess what? - three of the speakers are still with us today ..... Len Brown, Jeff Forster and Bill Pitt (the late Lance Hutchinson was the other). The presentation was so powerful that more than 50 people signed up to form the Knox Ratepayers Association, and I was so proud to be a founding member and take part in some real political activity.

Armed with an ethical system of collecting rates, members of the

Knox Ratepayers Association set about collected signatures to demand a poll to change the rating system from NAV [the "wrong" land-and-improvements ratings base] to UCV [the "right" land-only ratings base]. We door knocked and visited shopping centres collecting the signatures and campaign funds.



Yes, folks – he once had hair! This is John's campaign photo from 1965.

1966 was the year when I lost my political innocence. I was now President of the KRA and with Bill Pitt's knowledge and guidance we lead the challenge to have the MMBW [Ed: the old water supply authority] use the system of UCV to levy its water charges on the City of Knox.

At a meeting with the minister, Sir Rupert Hamer, we refused to back down, and the new water rate was applied for one year only. The government of the day legislated an increase in the MMBW's NAV rating area, effectively killing off our initiative. In the mid sixties to be a social re-

former was to be labelled a COMMUNIST!

The manager of our local bank called me a communist for my stand on rating reform and for criticizing the Government's lack of funding for the new Knox High School. Right in the middle of these activities I was visited at my place of employment by two typically dressed ASIO operatives. (complete with black hats and overcoats!)

It turned out that a sister of one of the KRA executive members was a known Communist, who was visiting from New Zealand. Shortly after the ASIO visit I was called into the managers office and asked to take a phone call from an MMBW Commissioner who was also a director of the Engineering Company I was working for. This commissioner told me, "that if I liked my job I should drop the fight for water rates". (Commissioner's name can be supplied over a cup of tea)

As the assistant Chief Draftsman my climb up the ladder had been well underway. But, I felt so intimidated, that by the end of the week I was looking for a new job.

I visited the Mechanical Branch of the Victorian Public works Department and told my story to the Chief

**The hall was packed full with struggling families just like mine and concerned farmers. The audience hung on every word the four speakers uttered**

Engineer, Sir Gordon Serple who, unknown to me, was a committed Georgist. I started work immediately in the Freemason controlled Mechanical Design Branch. The Catholics controlled the Electrical Design Branch. Being both Anglican a Freemason and a budding Georgist I was truly now at home (I later left Freemasonry).

It was Sir Gordon Serple who suggested I visit the offices of the Henry George League in George St. Melbourne. There Allen Hutchinson showed the CAT to me. Over the next two years I would spend many lunch times with Allen. His influ-

**Right in the middle of these activities I was visited at my place of employment by two typically dressed ASIO operatives**

ence on me was so profound that I felt compelled to attend his night classes in political science, and was fully rewarded.

That small classroom in George St. would have at least 12 engaging adult students at any one class, a far cry from today.

Allen encouraged me to write and deliver two radio talks on 3AW. The first was on the need, and how to pay, for an underground rail loop for Melbourne. It was obvious - look to the increase in land values created by this public utility! The second talk was against the high-rise public housing being built in Kensington.

With a desire to see more of Australia I rented the now completed family home for two years and with my family set off on a working exploration of Australia.

On our return to Knox in 1970 I stood for council in the Fern Tree Gully Ward as the Knox Ratepayers Association's Endorsed Candidate. It was a two horse race and I was narrowly defeated.

In 1973 itchy feet and lack of vision got the better of me. (At this point in time I had still not been invited to join the League.) We sold our house and some vacant land for the purpose of going farming in the Wimmera. After 16 years farming, engineering consulting, motel managing and teaching, we returned to Melbourne and then on to Hamilton.

Education and Land Reform now my passion I continued to push for change in both areas of endeavour. During my Dip. Ed. and B. Ed. years with Hawthorn Inst. and Melb. Uni. I submitted a mini treatise on Land Value Taxation entitled **"ECONOMY IN EFFORT - a report into Federal Land Tax.**

During the mid 1980 I was socially and politically active in and around the Western District of Victoria, even to the extent of being invited to give talks on rating reform to the Hamilton branch of the Liberal Party. The Labor Party showed their usual disinterest in real social change by not give me the time of day.

It was in Hamilton in 1985 that I met a man who I would describe as a true disciple of Henry George, Mal Booth. Mal encouraged me to return to the fold and put some of my efforts into the Melbourne office now called Tax Reform Australia.

In 1990 I was elected as a Trustee to the Henry George Foundation of Australia and in 1991 president of the Georgist Council of Australia. As president of the Council I was commissioned to make recommendations on how to improve the Council's and Foundation's operations in Australia, with a report entitled "The Good Ship George". However, the recommendations proposed in this report proved to be so far reaching and demanding in individual and corporate accountability that it was rejected. Even the tragic events of the last 5 years within the NSW HGF could possible have been averted if the report had

**His influence on me was so profound that I felt compelled to attend his night classes in political science**

been adopted.

1998 saw me also becoming a member of the Henry George Club Ltd. Following this appointment I set about to improve the accommodation and financial position of this valuable Hardware St. property.

2001, 2002 and 2003 have proved be the most stressful years I have spent in the movement. Many times I felt I had lost sight of the cat, and if George's set of proposals was the cat, then I needed to redefine what type of cat I have respectfully followed all this time.

But, no matter what the outcome, I wouldn't have missed it for quids!!!

**\*\*ooOOoo\*\***

**Uproot a tomato plant and it dies. Uproot it and dangle the roots in a solution of nutrients flowing in a channel and you have hydroponics. Manipulate the nutrients and you can produce all sorts of tomatoes, big, small, many, yellow, green, blue – you have control. Uproot a person from the land that supports them, install them in a semi-detached, supply them with liquid credit, then sit back to await ruddy fruits of their labours, threaten to turn off the money supply if they don't perform – you have control. Let them vote for a welfare state, unionisation, wealth tax, nuclear disarmament, poll tax, proportional representation – it makes no fundamental difference, you will always have control. They cannot vote to stop eating or sleeping or loving their children. They must take the work you offer – simply to live. If you have no need of them, ideally they'd curl up and hibernate in a cardboard box somewhere till the next economic upturn. No doubt genetic engineers are even now working towards this economic master stroke, which will finally achieve prosperity for all (those still awake at least!). Meanwhile the unnecessary can exercise their democratic choice – to stare on their own two feet, or become a scrounger on the State's charity.**

**- Steve Wall**

# LAND VALUE TAXATION: THE OVERLOOKED BUT VITAL ECO-TAX

by Karl Williams

A paper presented at the Fourth Global Conference on Environmental Taxation in Sydney, June 5 to 7, 2003



## SYNOPSIS

*Land value taxation (LVT) has often been omitted from the lists of natural resources for which eco-taxes are being advocated. LVT provides strong financial encouragement for land to be put to its optimal use and will eliminate speculation on land, as occupants must pay the full LVT whether the land is being fully utilised or not. This leads to better land management, a reduction in urban sprawl, less urban smothering of agricultural land, and less farmland being pushed into hinterland.*

*LVT makes the investment in resource-efficient infrastructure affordable because the resulting enhanced land values are “recycled” back into public coffers. One particular application of LVT to agricultural land provides much-needed financial incentives for organic farming. Unlike other ecotaxes which “sow the seeds of their own revenue demise”, LVT actually increases over time as our environment is enhanced, and is thus a stable revenue base.*

*This paper argues that the LVT assessment process shifts and refines our focus from monitoring human activity onto our use and abuse of natural resources, as any responsible form of stewardship should. It suggests that only if land users are prepared to pay the full cost of utilising resources should private resource holding be permitted.*

The subtitle to this paper should be *“All you ever wanted to know about the environmental benefits of Geoism, but were too afraid to ask”*. The background to this paper, which should stun any reader, is that mainstream economists and environmentalists have been (until recently) almost entirely oblivious of the environmental boons of LVT

circumstances such as land with agricultural value, (urban) land with largely locational value, land as the very soil itself, or even land in the

**“The depletion of natural resources and the despoliation of nature is due to a single reason: the failure properly to measure the rental value of all of nature’s resources, and to make the users pay the community for the benefits they receive.” F. Harrison, “The Corruption of Economics”<sup>i</sup>**

### I Historical overview

Why has land value taxation (LVT) frequently been omitted from lists of significant eco-taxes yet, as this paper will argue, LVT can be enormously influential in its effect on economic and environmental practices?

One reason lies in the confusion arising from how the very word “land” is used imprecisely or in different cir-

broad and inclusive sense of meaning natural resources in general.

Even within the discipline of macroeconomics, there have been three major shifts in the way land has been regarded, almost in the manner of a magician’s sleight of hand. Scene 1 has the magician display a rabbit in a cage. Scene 2 has the rabbit disappear. Scene 3 has the magician pull the “same” rabbit out of a hat.

Scene 1 was the era of classical economics, when the 3 factors of production were labour, capital and land – and here the rabbit represents land principally in the sense of urban land with locational value, while other natural resources were accorded little or no value as they were considered to be drawn from an almost infinite storehouse. Scene 2 was the era of neoclassical economics, whose textbooks invariably

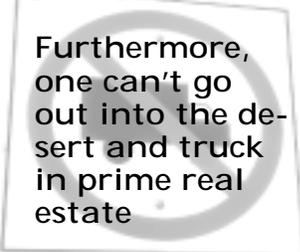


**“Hang on!” squeals a freckle-faced boy in the front row, “that’s a different rabbit!”**

started with a recognition that there were three factors of production but from then on treated land as simply a type of capital. Land was simply conflated with capital and the rabbit had disappeared! Scene 3 is the era of the environmental reform of economics, when the rabbit suddenly reappears in the form of natural re-

sources which effectively exclude land. "Hang on!" squeals a freckle-faced boy in the front row, "that's a different rabbit!"

The confusion between land and capital is well exemplified by the description of property prices which



comprise, of course, buildings and land. Whereas the former depreciate, the latter usually appreciate, yet their escalating values are invariably referred to as "house prices increases". Such confusion demands an examination of the distinctive qualities of land (whose value is largely locational) on which the theory and practice of LVT is based:

1. Unlike capital which is produced and reproduced, land is fixed in supply (except for minor exceptions like multistorey developments and land reclamation). As the old saying goes, "Invest in land – they're not making any more of it". Furthermore, one can't go out into the desert and truck in prime real estate. And unlike natural resources like air and water, land can be neatly parcelled up and readily "owned" (with title deeds which confer ownership *in perpetuity*).
2. There are all sorts of substitutes for capital items and for many natural resources, but there's no substitute for land – at least, not while the Law of Gravity holds! It is this twin combination of fixed supply and never-ending demand which determines how land behaves like a monopoly good, and which led Churchill to declare, "It is quite true that land mo-

nopoly is not the only monopoly which exists, but it is by far the greatest of monopolies – it is a perpetual monopoly, and it is the mother of all other forms of monopoly."<sup>ii</sup>

3. Unlike capital, the value of land is not built up by the occupier but by the community (principally through the increase in presence of population and through the further provision of tax-funded infrastructure). Herein lies the rationale for LVT, being the charge by the community for community-created amenities. As will be further detailed, it also explains the reason why our present form of land tenure and taxation is supported by predatory rent-seekers.

It is not the purpose of this paper to outline the detailed economic means by which LVT operates in its unique manner, except to highlight these foundations which may assist those wanting to examine the theoretical side further. However, as much as brevity permits, straightforward, non-technical explanations will be given to explain some of the major benefits of LVT. A brief case study of a best-selling environmental economics book is attached to this paper as an appendix, noting the confusion which surrounds the authors' identification of all major, desirable eco-taxes *except LVT*.

It should also be noted that the advantages of LVT extend far beyond the immediate and direct contribution to environmental solutions – they give rise to economic efficiency, social justice, individual liberty, world peace, effective third world aid and more. An understanding of the nature of economic rent and rent-seeking behaviour would assist the appreciation of some points made here, but an explanation of this extends beyond the im-

mediate ambit of this paper. This succinct summary, however, may assist: "For the failure to make people pay rent for access, or possession of, natural resources is at the heart of all major environmental problems, and is the cause of some of the most fractious geo-political problems .... There are no remedies for the ecocrises that do not include a heightened awareness of the value of economic rent and the process of the land market"<sup>iii</sup>

## II The problem of sprawl

While taxes on labour and capital act as a deterrent to production and employment, the unique qualities of land are such that a tax on land values *encourages* land to be put to its optimal use. Simply put, land holders cannot afford to hold land unused or underused, for they are compelled to pay the full LVT whether they use this scarce re-

**it also explains the reason why our present form of land tenure and taxation is supported by predatory rent-seekers**

source or not. The resulting compact cityscape would consume far less resources (in terms of land, infrastructure and ongoing energy costs) and would be more amenable to the provision of public transport, walking and riding.

Note that advocates of LVT, often nowadays called Geoists, call for the *full* collection of the LVT and not the partial and misapplied (with all manner of exemptions and thresholds) forms collected by some local, state and federal governments in Australia and elsewhere. When the land occupier is repaying his/her *full* dues (which is only just, as they represent the value of the amenities of the land), then land will have no market price. The *improvements* on the land (buildings etc.) retain their market value as they are not being taxed, so production is not penalised or discouraged. The social justice implications of having land with no market price (i.e. all humanity having their very birthright) are profound, but are again outside the domain of this paper.

While all landholders will be encouraged to put their land to its optimal use, land speculators will be particularly affected by LVT. The former head of the Town Planning Department of the University of Queensland, Philip Day, characterises the current lure of windfall increases in land value operating as a standing invitation to “develop” land by seeking approval for a change of use, irrespective of its environmental significance and regardless of how such rezoning repeatedly leads to the environmentally destructive process of urban sprawl.<sup>iv</sup>

**There are no remedies for the ecocrises that do not include a heightened awareness of the value of economic rent and the process of the land market**

While, at first sight, the prospect of sprawling cities with lots of open space and possible greenery might be appealing from an environmental perspective, a closer examination should lead to a different conclusion. The inducement to collect windfall profits (resulting from the failure of society to apply LVT) encourages some landholders to withhold vacant land from the market and forces new development to “leapfrog” this land and move further out. Hence there is an unnecessary outlay in roads, pipelines, power supplies and other infrastructure which must service a greater area. Commuting journeys, similarly, must now consume greater resources. Financially inducing land to be put to its optimal use is not “flogging” the land, but is rather ensuring land is carefully used and that we only exploit as much as we properly need.

That LVT deters urban sprawl is now becoming widely accepted even in mainstream economics, with endorsements being expressed by such luminaries as Ralph Nader<sup>v</sup> and Nobel prize-winning economist William Vickrey<sup>vi</sup>.

It should be noted that environmentally-harmful sprawl also occurs as suburbs sprawl over farmland, and underused farmland sprawls over what should be left as national parks or wilderness. As Gaffney stresses, “Sprawl in the urban environment is the kind most publicised, but there is analogous sprawl in agriculture, forestry, mining, recreation and other land uses and industries.”<sup>vii</sup>

**III Affordable and efficient public transport**

But LVT has much more to contribute to the question of low-impact urban function, in the form of affordable and efficient public transport and other desirable infrastructure. The principle reason why public transport options are presently so limited is because the taxpayer-funded investment in this and other forms of infrastructure effectively disappears, in an almost unseen manner, into the “Black Hole” of landowners’ pockets.

That is, not only is the resulting compact cityscape more amenable to the provision of public transport (not to mention walking and riding), but LVT makes the investment in such infrastructure affordable because the resulting enhanced land values are “recycled” back into public coffers. The extension of London’s Jubilee line underground network, which opened in 1999, provides a good case in point of how desirable infrastructure can be self-funding if land values are recaptured. An independent study was performed which assessed the increase in land values extending to 800 yards from each of the 10 stations. The accumulated gain (to private landowners) was estimated to be around £13 billion, courtesy of the £3.5 billion of taxpayers funds it took to build the line!<sup>viii</sup>

It is the fact that such infrastructure has always been *potentially affordable* that has led the United Nations

Centre for Human Settlements (Habitat) to include support of it in the 1996, as well as the 1976, declarations. The 1996 Habitat agenda states and recommends:

“Apply transparent, comprehensive and equitable fiscal incentive mechanisms, as appropriate, to stimulate the efficient, accessible and environmentally sound use of land, and utilize land based and other forms of taxation in mobilizing financial resources for service provision by local authorities”<sup>ix</sup>

Furthermore, in 1976, Australia, along with other nations, endorsed the so-called Vancouver Plan, being the recommendations of the United Nations Habitat Conference on Human Settlements, which called for the unearned increment in land values resulting from changes in land use to be recouped by communities and applied to the provision of urban infrastructure and services. However, as Day laments, “Nowhere in the western world has this obligation to recoup betterment been fully implemented”.<sup>x</sup>

Nor does LVT merely hold open the possibility of *partially* offsetting some of the investment costs. The impressive aforementioned estimates relating to London’s Jubilee line extension speak for themselves,

**Financially inducing land to be put to its optimal use is not “flogging” the land, but is rather ensuring land is carefully used and that we only exploit as much as we properly need**

and William Vickrey made similar estimates for New York which conclude that the collection of land rents as public revenue would generate sufficient revenue to completely defray the capital costs of investment in infrastructure.<sup>xi</sup>

A simple model will serve to illustrate. Presently, rail/metro infrastructure is almost prohibitively expensive because the windfall benefits are effectively handed over to landowners. To partially recoup the outlay, authorities are forced to set fares so high as to act as a disincentive

tive to potential low-impact commuters.

Enter LVT. Land values enhanced by the infrastructure are “recycled”



## The LVT assessment process shifts and refines our focus from monitoring human activity, onto our use and abuse of natural resources

by LVT back into the public purse. This enables fares to be reduced, which makes the adjacent land more valuable because it now has access to cheaper public transport. These resulting enhanced land values are again recycled back to the community coffers, which again allows low fares which allow more recycled enhanced land values, which allow lower fares which allow.... While illustrating the process, in practice such iterations would be bypassed as authorities would cut to the chase and set the most economically and environmentally desirable fare structure, which equals the marginal cost of travelling, and not have to dig into scarce public funds to finance such projects. A further example of self-funding is given in the Appendix.

### IV Agricultural benefits

The application of LVT to agricultural land, with the assessment being based on “maximum sustainable yield”, forces farmers to think long-term and provides much-needed financial incentives for organic farming. That is, farmers will be saddled with the same annual LVT dues whatever their yield (in addition to climatic considerations in assessing LVT) and will now have a powerful incentive to farm with a long-term perspective. If, for example, the land is degraded and yields consequently drop, then the financial con-

sequences will properly be borne by the farmer. This is merely the briefest of explanations of an important adaptation of LVT, which calls for other measures such as the requirement for any user of the Global Commons to pay an appropriate Ecological Security Deposit and a transition period to allow farmers to unhook themselves from the conventional chemical circuit.<sup>xii</sup>

The LVT assessment process shifts and refines our focus from monitoring human activity, onto our use and abuse of natural resources, as any responsible form of stewardship should. The potential effect of such a focus on everyday attitudes is inestimable.

The process of monitoring and assessing LVT itself leads to a more subtle, more environmentally-appreciative understanding of how best to prioritise conflicting demands on land. Should a tract of land best be used for green space for local residents, a light rail corridor or employment providing development? LVT assessment inherently weighs the pros and cons of a whole range of intangible costs and benefits for the wider community now and into the future, and eliminates corrupting “NIMBY” motives and rent-seeking behaviour that influence existing planning and development decisions. In response to the accusation that LVT assessment is little more than a best guess at quantifying values that are inherently unquantifiable, LVT advocates respond “Guilty as charged!” However, they then add, “Our good guesses are based on solid, objective methodology and are better than wild guesses, and even most wild guesses are better than the decisions made today. Currently, many natural resources are almost assigned a worthless value because, not entering the mainstream marketplace, they usually have no \$ tags hanging off them – hence the existence of externalities whereby the environment is plundered as near worthless. So even wild

guesses at the value of land and other natural resources are better than the present situation, in which the “no guess” decision effectively assigns natural and community resources a zero value.

One way or another, it is necessary to quantify and prioritise the real value (in a broad sense) of natural resources to better account for economic externalities. In the end, only if a prospective resource user is prepared to pay the *full* cost of utilising land and other natural resources will resource extraction or development go ahead. The intrinsic nature of the LVT assessment process considerably assists in such cost estimation.

LVT’s foundation of detailed land use assessments will also help expose the true costs of subsidies for natural resources, which effectively amount to *negative* eco-taxes. Subsidies come in all shapes and sizes, often barely visible, and urgently

### Should a tract of land best be used for green space for local residents a light rail corridor or employment providing development?

need to be exposed and evaluated. Even some harmful subsidies

which are labelled land taxes have nothing to do with genuine LVT. Banks gives the example of a Brazilian tax which was levied on unimproved land but was reduced by up to 90% on land used for crops or pasture. Forests were classified as unimproved land and were therefore taxed at the full rate, which induced settlers to chop down the trees to reduce their tax liability.<sup>xiii</sup>

The major dynamic behind such over-exploitation of parts of the environment is the process by which hundreds of millions of people are displaced onto marginal land by current tax-and-tenure systems. In desperation they overwork resources that ought to be carefully nurtured. Yet the practices of such desperate peasants can be largely halted when the principles of LVT are implemented and made clear. Daly makes the case that taking

away by taxation the value added by individuals from applying their own labor and capital creates resentment but “taxing away value that no one added, scarcity rents on nature’s contribution, does not create resentment. In fact, failing to tax away the scarcity rents to nature and letting them accrue as unearned income to favored individuals has long been a primary source of resentment and social conflict.”<sup>xiv</sup>

For reasons similar to those we’ve seen with the example of landowners benefiting from investment in infrastructure, much aid to developing countries does little to alleviate the plight and environmentally-destructive practices of the desperate landless, who can only work on the conditions demanded by the landowners because of the aforementioned monopolistic qualities of land. Improvements to infrastructure simply boost land values and the rents demanded of the landless. Furthermore, as Banks notes, “Cancelling part of the debt amounts to the infusion of billions of dollars into these less developed countries which, under the existing tenure and tax regimes, would benefit the price of land rather than provide work for the landless”<sup>xv</sup>

## V Financial concerns

That public finance can be raised in a way that doesn’t undervalue natural resources is, of course, a principle of all eco-taxes. But the *amount* of revenue that can be raised, while still sending these strong price signals, is also important to build infrastructure, social welfare, education, environmental rehabilitation etc. The funds that can be raised (or have been forgone thus far) from LVT are colossal by any estimate. Beck notes the Worldwatch Institute claim that if property taxes in North America and Japan were replaced with pure land value taxes and if

land value taxes reached the same level in the rest of the world, they could generate 12 percent of global tax revenue, or \$900 billion a year.<sup>xvi</sup>

A more detailed estimate of potential LVT has been made for Australia - an estimated A\$132.7 billion for Australia in 1998-99<sup>xvii</sup>. One could argue that, in terms of potential revenue alone, LVT deserves resolute investigation.

The whole field of eco-taxes cannot be viewed in isolation of the fiscal imperatives to raise sufficient public finance, and here we see another of the virtues of LVT. If people were required to pay the rental value of most natural resources they used (as many, in fact, already do - to private owners) an adjustment in patterns of consumption would follow. The environmental goals would be achieved - at the cost of fiscal goals.

However, under our present fiscal regime, governments are locked into a dependency on revenue from socially-harmful sources such as tobacco and gambling, and cannot raise the taxes on them to levels that would “kill the golden goose”. Would such political realities change with eco-taxes? Because of the inherent problem with most eco-taxes that they reduce consumption of natural resources and therefore the tax base, they give rise to a financial inducement to hold the tax rate at a low enough rate so that a degree of pollution and wasteful consumption can continue.

The effects of conventional eco-taxes sharply contrast with LVT which instead is a *renewable and naturally-escalating source of revenue* which arises when people are willing to pay for the use of land the value of which is *enhanced* by natu-

ral resources which sustain healthy lives. In other words, the success of a cleaner and more secure environment would feed through to the land market, which measures the attraction of the natural environment for living and working. Because people are willing to pay higher rents for such benefits LVT, instead of eroding revenue, *expands the public’s revenue base so that everybody enjoys the benefits of cleaning up and conserving the natural environment*. Under the current system of land tenure, the financial benefits of a cleaner environment accrue to landowners.

## VI Conclusion: A greater perspective

LVT and its 19<sup>th</sup>-century champion, Henry George, achieved huge acclaim before being buried by the “purpose-built” body of neoclassical economics financed largely by rent-seeking American plutocrats<sup>xviii</sup>. In one form or another, Henry George’s writings on the need to tax land values was preceded or endorsed by various biblical prophets, and by 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<sup>xix</sup>. Just how this wisdom has been lost sight of is a long - too long for this paper - and tragic story.

Here, for this conference, is the quirk - environmental considerations played almost no part in the compelling endorsements lavished on LVT! The main bill, then and now, is its powerful explanation of the great causes of social injustice, with the second billing going to an exposure of a whole range of economic inefficiencies and dead-weight losses of our present economic system, which should more accurately be termed land-monopoly capitalism. Support acts include libertarian ideals (non-intrusive tax systems), effective Third World Aid, an end to tax eva-

sion, contributions to world peace, and an end to boom & bust cycles.

**governments are locked into a dependency on revenue from socially harmful sources such as tobacco and gambling, and cannot raise the taxes on them to levels that would “kill the golden goose”**

The appeal of LVT to some others is more its philosophical basis and how its implementation must turn the economy the right way up, such that the cause of the “madness” (because completely unnecessary) of involuntary unemployment is eliminated, which of necessity then leads to the range of benefits just mentioned.

This is not a meandering departure from the subject of this conference. No significant, effectual solutions can be made to our environment if the all-embracing economic system is only nibbled at, piecemeal, from the angle of taxation alone.

LVT is not a mere taxation solution, but an integrated economic solution, impacting on land management and cutting at the heart of privilege and injustice. Yes, environmental tax reformers must indeed address the looting of undervalued natural resources driven by bourgeois habits of overconsumption. Let us not, however, overlook the destruction resulting from short-term perspectives driven by poverty and desperation. LVT deals with both worlds.

#### **APPENDIX: “NATURAL CAPITALISM” – A CASE STUDY IN BLINDNESS TO LAND VALUE TAXATION**

This book by Hawken & Lovins is meticulously researched, well-argued and rather deserving of its best-selling status, yet it completely misses the need for LVT. As such,

it is illustrative of how so many major advantages of LVT can be momentarily grasped and then mislaid.

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

The authors devote a full 17 pages<sup>xxi</sup> to the Brazilian city of Curitiba, holding it up as emblematic of an enlightened municipality which has overcome a whole raft of economic, social and environmental problems. Yet, even though the authors explicitly state that “The city runs mainly on property taxes<sup>xxii</sup> and acknowledge how property taxpayers are intimately involved in the decision-making process<sup>xxiii</sup>, they investigate these matters no further. Had they understood how LVT allows environmental custodianship to be self-funding by recycling enhanced land values, they would have seized the significance of LVT in their account of Curitiba’s green renewal which concludes “And green begets green; land values around the new parks have risen sharply, and with them tax revenues.”<sup>xxiv</sup>

Elsewhere, they see the small picture, but not the big. A solid case is mounted to make driving and parking vehicles bear their true costs<sup>xxv</sup> (this is, of course, LVT in the form of renting of temporary or “moving” parcels of land), but cannot see the wood for the trees.

Urban sprawl deservedly receives much attention, yet the powerful impetus LVT gives to put land to its

optimal use and bring about a more compact cityscape remains unnoticed. Toronto’s inducement to clustering around urban corridors is praised, but no inquiry is made into its “density bonuses and penalties”.<sup>xxvi</sup> Also left tantalizingly unexplained is the statement “Mortgage and tax rules that subsidize dispersed suburbs are another longstanding cause of sprawl.”<sup>xxvii</sup>

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

**No significant, effectual solutions can be made to our environment if the all-embracing economic system is only nibbled at, piecemeal, from the angle of taxation alone**

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

The authors’ otherwise first-rate survey and set of proposals ends on a disappointing and baffling note when take the conventional approach of viewing the Earth as a speculative commodity and bemoan plummeting real estate prices in Southern California<sup>xxxii</sup>. While the case for adopting a wide range of



technical innovations has been convincingly argued, until the Geoist perspective has been taken, there is little to substantiate the authors claim that this a “revolutionary paradigm for the industrial economy”.<sup>xxxiii</sup>

<sup>1</sup> Harrison, Frederick, *The Corruption of Economics*, Shephard-Walwyn, London, 1994, p.189

<sup>1</sup> From a speech delivered at King’s Theatre, Edinburgh, July 17, 1909

<sup>1</sup> Banks, Ronald, *Costing the Earth*, Shephard-Walwyn, 1989, London, 1989, p.3

<sup>1</sup> Day, Phillip, *LAND: the elusive quest for social justice, taxation reform & a sustainable planetary environment*, Australian Academic Press, Brisbane, 1995, pp. 3-4,16

<sup>1</sup> Nader, Ralph, *The Decline or Urban Civilization: the Sprawl Years*, San Francisco Bay Guardian, May 12 1998

<sup>1</sup> Vickrey, William, in Kortzen, David C., *When Corporations Rule the World*, Kumarian Press, San Francisco, 1995, pp.62 & 65

<sup>1</sup> Gaffney, Mason, *Neo-classical Economics as a Stratagem against Henry George*, in Harrison, op. cit., p.43

<sup>1</sup> Riley, Don, *Taken for a Ride*, Centre for Land Policy Studies, London, 2001, pp.23-7

<sup>1</sup> Paragraph 76(h) of 1996 U.N. Habitat agenda

<sup>1</sup> Day, op.cit., p.4

<sup>1</sup> Vickrey, William, *Propositions Relating to Site Value Taxation*, Columbia University, New York, unpublished manuscript of August 13, 1995

<sup>1</sup> Hardy, Shirley-Anne, *The Land Question*, self-published, Malvern, Scotland, 1981, p.8

<sup>1</sup> Banks, op.cit., p.28

<sup>1</sup> Daly, Herman, *Sustainable Development: Definitions, Principles, Policies* (a speech given to the World Bank, April 30, 2002)

<sup>1</sup> Banks, op.cit., p.27

<sup>1</sup> Beck, Hanno T., in Wenzler, Kenneth C. *Land Value Taxation*, M.E. Sharpe, New York, 1999, p.222

<sup>1</sup> Dwyer, Terry *The Taxable Capacity of Australian Land and Resources*, Land Values Research Group, Canberra, 2001, p.18

<sup>1</sup> Gaffney, op.cit., pp.29-145

<sup>1</sup> A list of 300+ of these and other endorsements quoted throughout history can be obtained from me on request at karlwilliams99@hotmail.com

<sup>1</sup> Hawken Paul and Lovins, Amory B and Lovins, L Hunter *Natural Capitalism*, Earthscan, London, 1999, p.2

<sup>1</sup> *ibid.*, pp.288-305

<sup>1</sup> *ibid.*, p.292

<sup>1</sup> *ibid.*, p.299

<sup>1</sup> *ibid.*, p.297

<sup>1</sup> *ibid.*, p.40-2

<sup>1</sup> *ibid.*, p.45

<sup>1</sup> *ibid.*, p.46

<sup>1</sup> *ibid.*, pp.292 & 297

<sup>1</sup> *ibid.*, p.46

<sup>1</sup> *ibid.*, pp.1 & 166

<sup>1</sup> *ibid.*, p.160

<sup>1</sup> *ibid.*, p.316

<sup>1</sup> *ibid.*, inside front cover

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## DODGY REPORTING

Median flat and apartment prices in Boroondara (a Melbourne eastern suburbs municipality) increased substantially from 1997 to 2002, in half of the suburbs cited by over 100%.

As usual, the report in “Progress Leader” (31/3/03) failed to differentiate between land prices and dwelling prices, though undoubtedly

the former are largely responsible for the increases.

Significantly, one big real estate director remarked that half the apartments he sold were bought by investors.

## “REFORM”?!

Under the Howard/Costello tax “reforms”, the Federal Government total tax rate has increased to the highest level of any previous government. (source: a tax agent in “Burwood Bulletin”, May-July 2003)

## REAL LAND REFORM

Here’s a quote from an article by Shirley-Anne Hardy in a Scottish magazine last year, which highlights the injustice of Scottish land reform being based on massive payouts to land monopolists so that a group of country residents may be granted freehold land without land value taxation:

“Furthermore, the realisation of this dream requires not the immoral setting up of any ‘Scottish Land Fund’. Have we lost our wits? Or are we brought so low that we Scots really believe we have to *buy back our own land?! What an innings, incidentally, for the modern incumbents of those originally stolen acres –*

quite enough to bring forward a discreet queue of offerings-for-sale, with the ever-ready public purse now being brought into play! And what, in any case, makes country-folk just to fill **their** begging bowls to buy out **their** bit of dream-land – entitled to impose upon the taxpayers of our crowded, slum-ridden cities, in a far worse plight than they and sinking under every kind of social ill?”

## CANBERRANS SEEING THE CAT?

A new rates proposal by ACT Treasurer Ted Quinlan received a lengthy comment by the “Canberra Times” (11/3/03), highlights of which follow:

“In the long term, land taxation is not only the surest and most equitable way of financing territory government. It is more economically efficient and effective than other forms of taxation, does not operate as a disincentive to job creation (as payroll tax does) or to putting assets to their most effective use, as stamp duties do. Indeed, if Mr. Quinlan would bite the bullet and impose general land taxes, he could probably abolish all but fee-for-serve territorial taxes, and earn more for the ACT while leaving most Canberrans better off.

“.... If Mr. Quinlan wants a fairer system which protects older residents and those who plan to stay long term, he would be better reverting to the older, purer system, of regular revaluations, but with considerable extended rights to defer some of the payment against an ultimate sale, leaving it as a charge against the property. Such a debt would have a realisable value, and allow the community to benefit from changing land prices. At the same time, the benefit of increased values would be fairly apportioned between existing and future owners, there would be no incentive to dodge tax, and there would not be



differential rates for similar neighbouring properties.”

## WHO GETS IRAQI OIL?

From Fred Harrison’s recent UK newsletter comes this timely commentary:

“Iraq is a test case for the world community. How it is reconstructed will determine significantly the texture of global relationships and the nature of economics over the next 50 years. Tony Blair offered a significant proposal during his eve-of-war TV broadcast. He said that the income from Iraq’s oil should be put in a “trust” for the benefit of the people. Those oil rents caused France and Russia to break ranks with Britain; they are also a part of the rewards sought by the friends of the Bush Administration. I have submitted to 10 Downing Street the model of the Alaska oil fund. The survey by Alanna Hartzok in the Spring 2002 issue of the journal *Geophilos* provides a fine overview that would enable the Prime Minister’s analysts to perceive how oil rents would finance Iraq’s infrastructure, enrich a fund to finance some of the needs of future generations, and yield an annual income for each Iraqi citizen.

“The Georgist paradigm’s unique problem-solving qualities are breath-taking. The British government had a taste of this two years ago when it reviewed the writings of a Georgist professor and decided to raise over £22bn from a natural resource – all of it pure rent! That story is told in the issue of *Geophilos* that has just been mailed to subscribers. The British example was emulated throughout Europe, showing how to raise tens of billions of dollars in rents for public purses. Georgism in action on a relevant scale.

“Evidence such as this persuades me that we need to argue vigorously that rent would suffice to pay for all socially necessary public services.

Rent is not the trivial sum that economists claim it to be in their textbooks. It is more than a third of national income.”

## BEING CLEAR ABOUT DEMOCRACY

Let’s not forget the historical association the Georgist movement has had in promoting the fairest type of voting system, proportional representation. I can’t say it much better than Dean Jaensch did in *The Adelaide Advertiser* on 6/3/03, excerpts of which follow:

“(The Tasmanian Hare Clark election system) is the best I know to give voters the widest and most effective choices and offers them the best possibility of effective representation. It keeps sitting members in a situation where, even in a safe seat, they have to work very hard to retain their position in parliament, and effectively gets rid of how-to-vote cards and encourages the voters to make their own decisions.

“... Thus, even in blue-ribbon electorates, voters who supported one particular major party would have at least one representative in their electorate. That simply cannot happen in the present single-member system. So Liberal voters in the rock-solid Labor electorates can feel they haven’t wasted their votes, likewise Labour votes in blue-ribbon Liberal seats. That alone justifies the system.

“But there’s more. The major parties would nominate five or six candidates for each seat, only two or three of whom would be sitting members. Thus the voters can stay with the party of their choice, but support the member they want to represent them in parliament. Non-performers can be tossed out and replaced by new blood from the same party. Candidates contest not only the other party for seats but their own party colleagues as well.

“In SA, preselection for a safe seat effectively means that the candidate will be elected, and re-elected, so long as he or she keeps the support of the party. Under Hare Clark, the voters have much more say.

“One Labour and Liberal argument against Hare Clark is the possibility of hung parliaments, with minor parties and independents holding a balance of power. In Tasmania, this has occurred only on three brief occasions since 1909. And would this be a problem anyway? Hung parliaments seem to be the order of the day almost throughout Australia, and it can be argued that they do have some democratic advantages.”

**\*\*ooOOoo\*\***

There is however, a bloodless, perfectly constitutional means for cauterising this ancient parasite of the restrictive monopoly of land. Since the power of monopoly resides solely in his legal ability to collect the entire rental value of land to himself, to destroy it utterly it is only necessary for government to collect the rental value created by the bare land alone, wholly to the public purse. (This government MUST be decentralised, if we are not simply to exchange one monopoly for another, equally if not more dictatorial, as under State Communism). The Greens have aptly christened this system of public finance, Community Ground Rent (CGR), choosing it as a replacement for the present system of taxing productive activity. In the rental value of unimproved (i.e. bare) land though, CGR has a finite unevadable and unique natural base, a value created by the democratic and self-adjusting demand of the whole community.

-Steve Wall

**Prosper Australia Executive****President**

Maurie Fabrikant  
(03) 9512 4869

[fabmel@optusnet.com.au](mailto:fabmel@optusnet.com.au)

**Vice-President**

Lloyd Churches (our web maestro)  
(03) 9440 6601

[lloydchurches@optushome.com.au](mailto:lloydchurches@optushome.com.au)

**Vice-President**

Bruce Every  
(03) 9848 1489

[bevery@melbpc.org.au](mailto:bevery@melbpc.org.au)

**Secretary**

Anne Schmid  
(03) 9729 2379

[anne\\_schmid@optusnet.com.au](mailto:anne_schmid@optusnet.com.au)  
[prosper@vicnet.net.au](mailto:prosper@vicnet.net.au)

**Treasurer & Progress Editor**

Karl Williams  
(03) 9754 8356

[karlwilliams99@hotmail.com](mailto:karlwilliams99@hotmail.com)

**Public Officer**

Bryan Kavanagh  
(03) 9803 5607

[bryank@earthsharing.org.au](mailto:bryank@earthsharing.org.au)

*Other executive members:*

David Barkley  
(03) 9890 8216

[BarkleyDavid@yahoo.com.au](mailto:BarkleyDavid@yahoo.com.au)

Mark Hassed  
(03) 9888 6585

[mhassed@lexicon.net](mailto:mhassed@lexicon.net)

Bill Pitt  
(03) 9878 7831

John Poulter  
(03) 5259 2790

[jjwp@bigpond.com](mailto:jjwp@bigpond.com)

Sheila Newman  
(03) 9783 5047

[smnaesp@alphalink.com.au](mailto:smnaesp@alphalink.com.au)

Jill Quirk  
[jillquirk@bigpond.com](mailto:jillquirk@bigpond.com)

Bill Fenner  
[billmonniefenner@bigpond.com](mailto:billmonniefenner@bigpond.com)

Adrian Barnett  
[adrian@spacelink.com.au](mailto:adrian@spacelink.com.au)

**Sister Organisations**

NSW Henry George Foundation Ltd  
Suite 9, 58 Pitt Street Sydney 2000  
PO Box H73 Australia Square 1215  
Tel/Fax (02) 9252 9790

[hgnsw@zip.co.au](mailto:hgnsw@zip.co.au)  
[www.Henry-George.org.au](http://www.Henry-George.org.au)

Land Value Taxation Society of Australia

National Executive Director: Peter Consandine  
Secretary/Treasurer: Kerry McNally  
PO Box 843 Castle Hill NSW 1765  
(02) 9899 5474 fax: (02) 9894 5686  
[lvtsoftnet@ablessoft.net](mailto:lvtsoftnet@ablessoft.net)  
[www.ablessoft.net/lvtsoftnet](http://www.ablessoft.net/lvtsoftnet)

Association for Good Government

Chairman: Mr. John Booth  
Secretary: Richard Giles  
PO Box 443 Enfield NSW 2136  
(02) 9744 8815 Fax: 9744 3804

Site Revenue Society (Queensland)

Secretary: David Spain  
PO Box 8115 Bundall Qld 4217  
[dspain@themis.com.au](mailto:dspain@themis.com.au)  
(07) 5574 0755

Henry George League (South Australia)

Secretary: John Hall  
26 Landsdowne Avenue  
Belair SA 5052  
[joval@senet.com.au](mailto:joval@senet.com.au) (08) 8278 7560

Henry George League, Kimba

Mrs Betsy Harris, PO Box 286 Kimba  
SA 5641

EarthSharing (Tasmania)

Secretary: Leo Foley  
31 Brushy Creek Road  
Lenah Valley Tas 7008  
(03) 6228 6486  
[foleyl@tafe.tas.edu.au](mailto:foleyl@tafe.tas.edu.au)

Georgist Education Association (WA)

President: Charles Eadon-Clarke  
Treasurer: Richard Hart  
10 Broome Street  
South Perth WA 6165  
(08) 9367 5386

Resource Rentals for Revenue Association

Bob Keall  
45 Dominion Street Takapuna  
Auckland, NZ  
(09) 486 1271  
[takasec@xtra.co.nz](mailto:takasec@xtra.co.nz)

**Major International Contacts**International Union for Land Value Taxation

Suite 424 London Fruit & Wool Exchange, Brushfield Street London E1 6EL UK

[iu@interunion.org.uk](mailto:iu@interunion.org.uk)  
[www.interunion.org.au](http://www.interunion.org.au)

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by **Mason Gaffney**

*[Ed: This is a fairly old snippet from the Land-Theory discussion list - it's an Oldie, but a Goldie]*

Recessions (and depressions) may occur when there are massive shocks to the system (e.g., the OPEC producers withholding supplies and doubling and tripling prices of a commodity that could not be readily substituted for). Recessions may also be prolonged and accelerated by unwise public policy choices made by people who have no idea of the consequences of their actions or inactions. Now, in the activist area where I am working, there is still a strong cry for a Constitutional amendment to balance the U.S. Federal budget. Some of the economists in and out of government are saying this would be a disaster, using the same sort of "if GDP is growing, don't worry be happy" pronouncement you refer to above. When GDP is adjusted for the dollars spent on the criminal justice system and clean-up costs for preventable environmental disasters, then I might have some faith in this as a bellwether of wellbeing.

As for the coming "boom," I simply repeat my observation that there is no U.S. economy; there are only regional economies competing with one another as well as with other nations. We have the beginnings of speculative booms in some places, stability in others, and continuing recessions in others. People who cannot sell their houses because they owe more on them than they are worth cannot take their services elsewhere to see employment. So much for the mobility of the labour force. This is one of the unfortunate sides of the American dream of home ownership; when a lease expires, one simply does not renew.

Only around 25-30% of households own their own homes.

By good fortune, I just read something that helps resolve the difficulty. It seems that a great deal of anti-trust legislation from the Progressive Era had been aimed at monopoly in the flicks, which had started with Thomas A. Edison, who was as much a patent-litigation bully as he was a pure inventor. Much of this legislation became unravelled under President - guess who? - Ronald Reagan, spawn of the "entertainment" industry, and political voice for same. Vertical integration and media mergers and monopolization then ran wild. Disney under Eisner, of course, has played a role in this. Disney as real estate developer throws its heavy weight around brutally.

This question arose in connection with Georgist taxation, and what it would do about Mr. Eisner, and overpaid CEOs like him. The answer, I think, is that "Georgism" involves more than taxation. It also involves promoting competitive markets and smiting or breaking up mergers, monopolies, and restraints of trade, by various means. It was, after all, part of first the Populist, and later the Progressive Movements.

"Georgism" may be construed narrowly as a limited fiscal reform. Some of its votaries present it that way. As such, it is rightly suspected of being a bit cranky, and too limited. I see it as a broad front program to limit centralized monopoly control of industry, and promote free entry and free competition with proper regard for both consumers and workers.

Some free market purists may look askance at anti-trust actions. Consider, however, that we are dealing with people who hold patents, which are inherently anti-competitive, especially when used as clubs in the Edison manner. Consider also we are dealing with corporations, which are inherently

combinations of capital made possible by the device of limited liability. When government gives an anti-competitive privilege, it seems fitting that govt. should limit the resulting abuses of power.



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**Most taxes are unprincipled claims on people's incomes. They do not correspond to the value of the services payers receive.**

**- Fred Harrison**

# GEOISTS IN HISTORY

## Baruch Spinoza (1632-1677)

Spinoza's parents were Portuguese Jews who fled to the relatively liberal Netherlands, in order to escape religious and racial persecution. His mother tongue was Portuguese, but he rapidly became fluent in Dutch and Hebrew. It seems likely that his early education exposed him to some quite radical and heterodox opinions from within the Jewish tradition. Instead of continuing his studies in preparation for the rabbinate, he left school (probably at the age of about 14), and entered his father's merchant business, and continued to run it with his brother after his father's death in 1654, when he was 22. But soon after his father's death, the family business collapsed, and Spinoza took up the profession of lens grinder and maker of optical instruments, for which he acquired a high international reputation to the extent of producing a treatise on optics.

Spinoza became a member – and soon, the leader – of a circle of intellectuals, who combined a deep respect for Descartes and modern science, with a reputation for heresy and atheism. They shared many of the ideas which were later given expression in Spinoza's philosophy. His early interests were in optics and the new astronomy, but later it was his radical ideas in theology and philosophy which led to his expulsion from the Jewish community for heresy in 1656.

Does one have to be a heretic to be a Geoist? No, but it sure helps to be able to think out of the square as Spinoza did, unencumbered by traditional dogma and mob mentality. In the 17<sup>th</sup> century, economics was not a popular field of thought, and Spinoza was drawn elsewhere, although the quote below certainly confirms how Spinoza the Geoist saw the Global Commons as the equal and common birth-right of all humanity.

Spinoza advocated a strictly historical approach to the interpretation of biblical sources and argued that complete freedom of philosophical and scientific speculation was consistent with what was really important in the bible – the moral and practical doctrines, not the factual beliefs assumed or expressed.



He put a lot of effort into the close study of Descartes' philosophy, and re-wrote the first two books of the Principles of Philosophy using the geometrical method. He was perhaps simultaneously working on his own Ethics, which was probably finished by 1665. He decided not to publish it, because it would be difficult to keep its authorship secret. Instead he set to work on the Theologico-Political Treatise, which was (among other things) a plea for freedom of thought and expression. This work was published anonymously and with a false imprint in 1670. It caused an uproar throughout Europe, and was almost immediately condemned (along with Hobbes's Leviathan).

Further developing his own ideas, over the next two years Spinoza composed his greatest work, *The Ethics*. However, anticipating controversy, he wrote and instead published anonymously his *Tractatus Theologico-Politicus* (1670) which defends the liberty to philosophize in the face of religious or political interference. After a self-initiated and failed diplomatic mission to France, Spinoza and he was forced to give up hopes of publishing the *Ethics*.

In 1672, The Netherlands were invaded by the French and the Germans, and Spinoza's friend and political protector, Jan de Witt, was assassinated. The political regime became much more oppressive, and Spinoza felt in great danger for the rest of his life. In 1674, his mentor Van den Enden was sentenced to death and executed in Paris (ostensibly on political grounds, but probably as much for his theology).

Spinoza suffered from failing health, probably from glass dust in his lungs, and he died in 1677, at the age of 44. The same year, his friends had most of his unpublished works (including the *Ethics*) printed, but they were officially banned in 1678. Although his work was first condemned as atheistical and subversive, his reputation was restored by literary critics like Lessing, Goethe and Coleridge and later by professional philosophers, and he is now regarded, along with Descartes and Leibniz, as one of the great Rationalist thinkers of the 17<sup>th</sup> century.

"The fields and the whole soil ... should be public property, that is the property of him who holds the right of the commonwealth: and let him let them at a yearly rent to the citizens, whether townsmen or countrymen, and with this exception let them all be free or exempt from every kind of taxation in time of peace."

*Spinoza*

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- <sup>i</sup> Harrison, Frederick, *The Corruption of Economics*, Shephard-Walwyn, London, 1994, p.189
- <sup>ii</sup> From a speech delivered at King's Theatre, Edinburgh, July 17, 1909
- <sup>iii</sup> Banks, Ronald, *Costing the Earth*, Shephard-Walwyn, 1989, London, 1989, p.3
- <sup>iv</sup> Day, Phillip, *LAND: the elusive quest for social justice, taxation reform & a sustainable planetary environment*, Australian Academic Press, Brisbane, 1995, pp. 3-4,16
- <sup>v</sup> Nader, Ralph, *The Decline or Urban Civilization: the Sprawl Years*, San Francisco Bay Guardian, May 12 1998
- <sup>vi</sup> Vickrey, William, in Kortzen, David C., *When Corporations Rule the World*, Kumarian Press, San Francisco, 1995, pp.62 & 65
- <sup>vii</sup> Gaffney, Mason, *Neo-classical Economics as a Stratagem against Henry George*, in Harrison, op. cit., p.43
- <sup>viii</sup> Riley, Don, *Taken for a Ride*, Centre for Land Policy Studies, London, 2001, pp.23-7
- <sup>ix</sup> Paragraph 76(h) of 1996 U.N. Habitat agenda
- <sup>x</sup> Day, op.cit., p.4
- <sup>xi</sup> Vickrey, William, *Propositions Relating to Site Value Taxation*, Columbia University, New York, unpublished manuscript of August 13, 1995
- <sup>xii</sup> Hardy, Shirley-Anne, *The Land Question*, self-published, Malvern, Scotland, 1981, p.8
- <sup>xiii</sup> Banks, op.cit., p.28
- <sup>xiv</sup> Daly, Herman, *Sustainable Development: Definitions, Principles, Policies* (a speech given to the World Bank, April 30, 2002)
- <sup>xv</sup> Banks, op.cit., p.27
- <sup>xvi</sup> Beck, Hanno T., in Wenzer, Kenneth C. *Land Value Taxation*, M.E. Sharpe, New York, 1999, p.222
- <sup>xvii</sup> Dwyer, Terry *The Taxable Capacity of Australian Land and Resources*, Land Values Research Group, Canberra, 2001, p.18
- <sup>xviii</sup> Gaffney, op.cit., pp.29-145
- <sup>xix</sup> A list of 300+ of these and other endorsements quoted throughout history can be obtained from me on request at karlwilliams99@hotmail.com
- <sup>xx</sup> Hawken Paul and Lovins, Amory B and Lovins, L Hunter *Natural Capitalism*, Earthscan, London, 1999, p.2
- <sup>xxi</sup> *ibid.*, pp.288-305
- <sup>xxii</sup> *ibid.*, p.292
- <sup>xxiii</sup> *ibid.*, p.299
- <sup>xxiv</sup> *ibid.*, p.297
- <sup>xxv</sup> *ibid.*, p.40-2
- <sup>xxvi</sup> *ibid.*, p.45
- <sup>xxvii</sup> *ibid.*, p.46
- <sup>xxviii</sup> *ibid.*, pp.292 & 297
- <sup>xxix</sup> *ibid.*, p.46
- <sup>xxx</sup> *ibid.*, pp.1 & 166
- <sup>xxxi</sup> *ibid.*, p.160
- <sup>xxxii</sup> *ibid.*, p.316
- <sup>xxxiii</sup> *ibid.*, inside front cover