

# PROGRESS

An Australian Journal to Advocate the Rights of the People in the Land

- POLICY
1. COLLECTION OF LAND VALUES OR GROUND RENT AS PUBLIC REVENUE.
  2. THE ABOLITION OF TAXES NOW IMPOSED UPON LABOR AND LABOR PRODUCTS.
  3. PROPORTIONAL REPRESENTATION FOR ALL ELECTIONS.

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Editors: A. R. Hutchinson, B.Sc., M.I.E.Aust.;  
G. A. Forster, B.A., B.Sc.; H. B. Every, Dip.E.E.

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## THE PRIMARY OBSTRUCTION OF FULL EMPLOYMENT

By Graham Hart

1. If a bridge collapses due to a mistake in application of the laws of physical sciences, the engineer responsible is held accountable.

If the economy of a country is in a state of collapse, plagued with unemployment, poverty, crime, vandalism and inflation, due to ignoring the laws of the science of political economy, politicians and their economic advisors should be held accountable.

2. The spectre of unemployment has become a popular subject for the media, particularly when school leavers seek to join the workforce. Heart rending stories are told on radio stations and in the daily press, but examination of causes and remedies is rarely seen.

3. Blame is directed at two income families, at advancing technology, and at the governments failure to provide jobs, by those who do not understand the problem. It appears to be believed that the amount of work to be done is fixed in extent, and it is argued that if everyone did less work, more people could be employed.

4. Of course, they say, there must be no reduction in wages for the lesser amount of work done, and governments are expected to inflate the currency to foot the bill!

5. Politicians and economists seemingly would have us believe that unemployment can only be reduced by inflation, and that inflation can only be reduced by accepting increased unemployment, so we tolerate both unemployment and inflation as necessary features of this age of advanced technology!

6. To prove that the problem is world wide and therefore assumed to be beyond solution, statisticians are called upon to quote impressive figures from other countries. 14% of the workforce are without jobs in the U.K.; 11% in the U.S.; 10% in Europe, which compares not unfavourably, we are told with 10% unemployed in this country; moreover there is corresponding inflation in all countries. Such figures only prove that political and economic ineptitude is not the special preserve of Australia alone.

### The Forgotten Factor

7. Land monopoly and the enormous unearned incomes of land speculators, mostly tax exempt, is never mentioned as being related to the problem of unemployment and poverty.

8. The stark reality is that substantial numbers of people are unemployed or live in poverty, or both, because of the vicious, disincentive taxation system and the conditions of land holding, under which land becomes too expensive for many people to buy. Without access to reasonably priced land, it does not pay to start new industries, to employ more people, or to build a home. Moreover, taxes increase costs and reduce consumer demand.

9. Land rents are high in heavily populated areas, and where industries, markets and commercial centres are concentrated, but decline in the remote rural areas where few people live. This proves that land rent is due to the presence and activity of all the people collectively, and to the services of government, which enable people to live and work in cities and in smaller communities.

10. It is obvious, therefore, that it is society as a whole and not individual land owners, that generates land rent, and that this is *Natural Government Revenue*.

11. When governments are deprived of their natural revenue, rent becomes capitalised as land price. Sites for industry, commerce and housing attract the operations of speculators, who not only pocket the site rent generated by society, but buy and sell land which soars in price because of anticipated increasing population and advancing technology to make tax free capital gains.

12. It is a national and international tragedy that land speculation, which produces nothing, is often more profitable than truly productive land use, which puts people to work and capital to use.

Unemployment and poverty is inevitable under a system that loads wealth producers with a doubled cost — *rent*

plus taxation.

13. Land has no cost of production, yet currency must be provided to support the land speculators unearned profits, that are acquired, and may be exchanged for the real wealth produced by Labour and Capital. Under such conditions inflation gets beyond control.

#### Remedy

14. *Remedy is simple.* If land rent, which the people as a community create, is taken for public revenue, the use of land will be stimulated and speculation will become unprofitable. Valuable land can only be put to use by employing labour and capital. Taxation then will become unnecessary, and the removal of its crippling effects will further stimulate the economy.

The result will be full employment with rising wages and a healthy return for the use of capital.

Government will be assured of adequate revenue without the additional props of borrowing and inflation.

15. The more people employed under just conditions, the greater will be the work output, due to the division of labour (specialisation), the greater the return to labour and capital, and the more buoyant will be the site rental return for public revenue.

16. Under such conditions there can be no fear of new immigrants depriving other people of jobs, or the fear of technology decreasing the demand for workers. Technological advance will cheapen the price of goods, and consumers will buy more products with the money saved.

Employment arises only from access either directly or indirectly to land.

Wages are paid from production. The greater the level of productivity the higher will real wages rise.

17. When it is stated that employment arises only when land is put to use, this does not mean that the unem-

ployed will be forced to accept jobs in outback marginal areas, for which many may not be suited. All forms of industry would respond with an increased demand for labour, as the profitability of land use was restored. The most valuable land is in the cities where it yields the greatest source, both of land rent revenue, and of employment opportunities for labour and capital.

#### Valuable Land

18. When all valuable land becomes available for use, opportunities for employment will correspond in general, with the market assessment of site rental value. Land becomes valuable only because it makes the use of labour and capital more effective. Advancing technology enables fewer people to coax a greater return from the application of their labour to land.

Central areas become more valuable because they will support the profitable employment of more people aided by the more intensive use of capital.

19. This is exemplified by the following schedule of land prices 1983, in and around the Perth area.

	Per sq. m.
Central commercial sites	\$3,000
Select residential sites (with river views)	\$700
Industrial land (near city)	\$25
Suburban home sites (working mans residential)	\$15
Farm land (of varying quality and location)	5-50c

20. Site rent, assessed in the market, under just conditions, is the measure of advantages or opportunities. Its collection for revenue assures that all who engage in production, do so on equal terms. Land prices arises only when governments fail to collect their natural revenue. This enormous incubus, inclusive of future values, often obliging people to mortgage their future at fictitious rates of interest, is the *hard core* of the *Unemployment Problem*, aggravated by taxation, debt, inflation, monopolies and socialist bureaucracy.

## TWO NEW CONTINENTS ARE BORN

From time to time Nature heaves and tosses, and amidst earthquake and volcano new island emerge from the roiling oceans. Now let us imagine that after a particularly gigantic heave and toss, a huge island, practically a continent, emerges dripping from the deep, not too far off our eastern coast, to be appropriately named New Atlantis. Within a short time, another island of immense dimensions emerges off our western coast, eventually to be called Pacifica.

Within a few years, after the sea salt washes away and plant seeds of all sorts take root, these huge island-continent will be ready for human settlement. Putting aside many other competing questions, let us ask ourselves what effect this expansion in the supply of usable land would have on our economy. Would wages rise? Unemployment decline?

It would seem so, wouldn't it? Workers would flock to the new islands. Jobs would go begging in the old country: could wages fail to rise or unemployment decline? The old country would find new export markets in the island-continent, further increasing the wonderful shortage of workers.

So?

So think: if we were to increase the tax on land values

in the here and now, it would cause much unused and partially used land to be thrown onto the marketplace and made available for immediate use. It would have the same effect as discovering new offshore island-continent, nay better, for the new lands now available for employing people at higher wages would not be far offshore in some rather distant place, but right within our cities and towns and among our farms — very accessible to us.

Economically speaking, land value taxation would have the same effect on wages and employment as if vast new island-continent were discovered offshore.

Something to think about.

*Reprinted from "Incentive Taxation".*

#### PERSONAL

Mr. Allan Hutchinson, co-Editor of "Progress" and Director of the Land Values Research Group, is making a steady recovery after his motor accident early in June.

#### RATING DEVELOPMENT

Tunby Bay District Council, S.A., has recently switched to Site Value Rating. We congratulate Mr. W. G. Gordon and his colleagues upon their successful efforts.

## LVT: SIX STEPS TO MEET OBJECTIONS

By Prof. Steven Cord

Hundreds of land reform experts, from many countries as well as from the United Nations, have urged the adoption of a heavier tax on land values in place of as many other taxes as possible.

The land value tax can claim many advantages. It has already been adopted in a number of places in the world and with marked success.

- The higher the tax, the more the incentive for landowners to utilize their land effectively in response to the demands of the market (and as limited by land use plans). Who could afford to keep land vacant, or in partial use, if he had to pay the full annual land rent in taxation?
- The higher the tax, the less individual labour and capital investment need be penalized by taxes. This could provide a powerful incentive for an economic surge, particularly in the agricultural and construction sectors.
- A high tax discourages absentee landownership. Who would want to collect rent from a tenant, only to pay it over to the government at the end of the year?
- If eventually the tax on land values becomes substantially high, then it will deter land speculation and, by reducing the taxes on labour products which are passed on to the consumers, it will reduce consumer prices.
- Because land prices would be lower, investment money which would have gone into the purchase of land would be diverted into the production of machinery and buildings. Land, no matter how highly taxed, cannot be reduced in supply (in fact, if taxed, land previously held off the market would be released for productive use).

These are only the *economic* reasons for taxing land more, labour and capital less.

There are compelling *moral* reasons also; a landowner *qua* landowner produces nothing, so whatever return he gets must come out of the labour of others. A landowner reaps, but he does not sow.

Furthermore, land values are created by the community when it provides roads, schools, hospitals, police and fire protection, jobs and shopping facilities.

*Shouldn't the community tax what it creates — land values — before it taxes the value of wages and investments which individuals create?*

Despite all the clear advantages which the land value tax affords, there are some short-run or special-case problems which must be seriously considered before it can be introduced.

Here are six alleviations of those problems:

### 1. National Land Rent Dividend

Land values are very unequally distributed among the population so a tax on land values would be very much in accord with the ability-to-pay principle.

Nevertheless, there may be some hardship cases. Some small farmers would pay more taxes than they are now paying, as would some poor elderly homeowners. While it could be said with some justice that if they can't pay the tax, they are not using their land efficiently and should sell to someone who can, still, humanitarianism requires that we help them over their short-run plight.

**All people can share in opportunities afforded by nature.**

Also, good politics requires it — my experience in

trying to spread land value taxation in western Pennsylvania indicates clearly that such people are numerous and powerful enough to obstruct the adoption of such a tax.

*Even those who would pay less under a switch of taxation on to land oppose it out of sympathy for the losers.*

Fortunately, there is an easy solution. The government could levy a slightly higher land tax than it would otherwise require, it could then distribute the extra revenue on an equal basis to all voters in the country (that should get the voters out to the polls!).

This could be called the National Land Rent Dividend. The dividend should not be so high as to encourage shiftlessness — it should be like a Christmas bonus.

The dividend would immediately create a strong pressure group in support of the land value tax.

Because land ownership is so unequally distributed, fully 95 per cent of the population would get back more in dividend than what they would pay in extra surtax to finance the dividend.

Could this possibly fail to guarantee popular support for the land value tax, especially since it is one way by which all people can share equally in the opportunities afforded by nature?

### 2. Agricultural Land Tax Index.

Farming is a risky business. In some years, the harvest is good, in others not. Commodity prices rise and plummet. In bad years, many farmers might be hard put to pay their land value tax — unless tax is indexed to agricultural production and prices.

If the total value of sugar production, let us say, falls off 20 per cent from normal, then the land value tax which sugar farmers are required to pay should be reduced by 20 per cent, or perhaps 30 per cent. If the total value of sugar production is 10 per cent above normal, then the land value which sugar farmers pay should be increased 10 per cent, or perhaps 15 per cent.

If the government finds that its revenue from an indexed land tax is too uneven, it could set aside a small amount of the land tax each year (bigger amounts in above-normal years), and draw on that extra fund in below-normal years.

### 3. Tax Deferral.

In cities, elderly poor homeowners might be hard put to pay the land value tax. So the government should allow them to defer their land value tax, in whole or in part, until they sell or bequeath their property. At time of sale or bequest, the back taxes must be paid out of the value of the estate.

This is how it could work: if the land value tax on the residential property of a poor elderly homeowner is more than, say 10 per cent of his total income, then the excess plus reasonable interest is deferred as a lien against the property to be collected by the government when the property is sold or otherwise transferred.

The amount of deferral should not exceed the amount of the unmortgaged part of the property value, and the mortgage payment precedes the tax deferral lien. Such a deferral could be extended for a one-year period to unemployed landowners and to other landowners subject to special hardships.

#### 4. LVT Instalment Payment.

Hardships would be created if the land value tax fell due in one big annual lump sum. Many taxpayers would be caught short of ready cash.

Tax bills could be issued quarterly, perhaps monthly. Rent is customarily paid quarterly or monthly. Alternatively the taxpayer could require his mortgagee or employer to pay the tax withheld from his mortgage payment or salary.

#### 5. Interim Reassessment Adjustment.

When land is taxed, it could be reassessed annually. If not, a problem would develop — the re-assessment, when it comes, might be much higher than previously, especially in inflationary times. This would result in sudden increases in the taxes that some landowners have to pay, with possible hardship and opposition.

**There is no need to keep land value tax low.**

There might even be pressure to delay re-assessments, or for re-assessment increases to be less than market value increases.

To avoid this, all land assessments could automatically be adjusted annually, until the next re-assessment, according to changes in the general price index. If, for example, the general price level increases 10 per cent, then all land assessments could be automatically increased 10 per cent, but all such inflation adjustments are negated by the next re-assessment.

#### 6. Purchase and Demolition (PAD) Guarantee.

When neighbourhoods change to higher uses, land values shoot up. So do land assessments and taxes. The old owner may not be in a position to pay the new higher tax and he may not be able to sell his house which might now have a negative value since it must be demolished to make way for a new and more appropriate improvement. He would face severe hardship from which zoning regulations give him inadequate protection.

Examples of such neighbourhood changes to higher uses are — agricultural use to single or multi-family residential use, to industrial or commercial or natural resource use.

Suppose, for example, a single-family neighbourhood becomes ripe for apartment house development. A homeowner there cannot pay his higher land value tax any more since it is now predicated on apartment house use. He cannot sell his land site if the full annual value is taxed away. And his house has no value at all — it will be demolished, unless he can move it to a more appropriate location, and that is unlikely. He has problems.

Fortunately, a solution exists: the government could pay the old owner the appraised value of his about-to-be demolished house. This would give homeowners and others a real feeling of security since they need never fear that rising land value taxes would expropriate them.

*It would make land value taxation even more saleable, especially at high rates.*

Additionally, it would significantly spur the re-building of cities. No longer would the prospective developer have to expend a larger sum for the purchase and demolition of a useless be incurred even before actual construction can begin.

Some technical provisos are needed to accompany this Purchase and Demolition (PAD) Guarantee: the building would have to be at least 12 years old and the guarantee

should not exceed the land tax times twice the interest rate percentage.\*

The taxation of land values can do more than provide revenue for the government: it can also provide a powerful stimulus to economic growth.

One way of ensuring that the land value tax provides maximum incentive to land owners to develop their sites fully would be to announce in the first year that the tax would start at a base figure and move upwards by equal increments over a 10-year period to the full tax rate.

In this way, land owners would have plenty of time and incentive to adjust to the new tax, and put their land to the best-possible use.

Although there may be certain short-run or special-case problems arising from land value taxation, we have seen how they are certainly amenable to a solution. There is no need to keep the land value tax rate low in order to protect those few people who might experience hardship. They can be adequately protected by the six adjustments described above.

*I recommend them for reasons of humanitarianism as well as good politics.*

#### Reference:

\*The rationale for these provisos can be found in *Catalyst*: HGFA, 580 N. Sixth Street, Indiana; PA 15701, pp.55-56.

*Reprinted from Land & Liberty.*

### TAXATION EVASION

Australian parliaments are not covering themselves with glory over the "bottom of the harbour" fiasco. It must now be obvious to observant people that the Company income-tax system has broken down. Persistent attempts to try to make it work will cost a small fortune and turn this country into a nation of suspect criminals.

Tax evasion can not be prevent without interfering with many harmless and necessary procedures and the conferring of additional discretionary powers on the Commissioner.

Let's return to "rst principles and the canons of taxation. A law that cannot be enforced is a bad law and should be repealed.

What business is it of the tax man how much money any person or any company earns? It is however, the business of Government to know how the land, the people's estate, is managed.

The value of land arises from the presence and activity of the people collectively and the services of government. It is a prime function of Government to ensure that publicly created revenue accrues to the treasury according to its market value.

The collection of land dues for revenue requires no police forces, criminal lawyers, or learned judiciary to ensure payment. As demonstrated in the field of local government, they are cheap and easy to collect and impossible to evade.

The market of each land holding, the revenue base, should be open for public inspection within a system of open government and the deterrant inquisitorial procedures inseparable from imposing taxation as a fine on those who organize employment and produce wealth should be abandoned forthwith.

Graham Hart, "Kilmore Free Press", Dec. 1982

## TAX FREEDOM DAY

The following (abridged) is taken from *Common Sense* (June 1983), by Victoria Forbes, of Queensland.

The Gross Domestic Product of Australia in 1983 is expected to be \$160,814 million. Federal incomes taxes alone will absorb \$28,346 million or 17.6% of this. Thus the average Australian must work from New Year's Day until 5th March just to pay federal tax.

Another fortnight must he labour to pay the sales taxes on everything he buys and the crude oil tax on his petrol.

By April Fool's Day he has earned enough to pay payroll tax and the taxes on imported goods. If he works right through Easter he should have earned enough to pay his local government rates for the year.

Next come the bills for stamp duties on his house, more taxes on motoring and taxes on beer and tobacco. Providing nothing is wasted on rent and housekeeping he should have these bills paid by the middle of April.

If he keeps his nose to the grindstone, by Anzac Day he should have paid his taxes on land, cheques, gambling, racing, hard liquor, poker machines and wool, plus more petrol taxes and licence fees to operate his business.

May Day is of special significance. By then the average Australian has managed to pay all his open, direct taxes.

### The Deficit Spending Trick

But taxes are only part of the cost of government — we also have the deficit spending trick.

All governments are hearing the rumbling of the coming taxpayer's revolt. This makes them afraid to increase taxation, but they are unwilling to restrain their compulsive spending, so they resort to borrowing or to the printing presses.

Australian government authorities have estimated that in 1983, their spending will exceed their income by \$8,409,000,000. One way or another Australians will pay this bill either through inflation, devaluation or high interest rates.

The average Australian will need to work for another fortnight to pay these hidden monetary taxes. By the middle of May he passes another millstone having paid tax bills totalling \$59,465,000,000. (\$59 billion).

### The Cost Government Business Monopolies

But we must look further than taxes and deficits to gauge the full cost of governments. In 1983 another \$8 billion will flow into government coffers from miscellaneous fees, fines and charges and from dividends (if any) from nationalised businesses such as the Post Office, TAA, Telecom, railways, buses, ships, gas water and electric utilities.

A substantial proportion of this \$8 billion should also be considered as taxes.

Almost without exception, every government business enterprise is a legislative monopoly where all competition is prohibited by law. The resultant featherbedding, high costs, poor service and regular industrial disruptions are the inevitable result of their protected position. Part of their income is earned. A substantial part is extracted under the protection of a statutory monopoly and should be considered a tax.

When this is added the total cost of Australian govern-

ments in 1983 comes to about \$67 billion or 41.7% of Australia's GDP. The average Australian must work for five months of every year just to pay for government services.

As winter sets in, on the second day of June, he starts working for himself.

This day should be widely celebrated as "TAX FREEDOM DAY".

Unfortunately, the date of TAX FREEDOM DAY will need to be adjusted each year, depending on the extravagance of the governments in power.

In 1939, governments took only 25% of community income and TAX FREEDOM DAY was on April 1st. Forty years later, in 1979, Australians had to work till 15th May to meet the expenses of governments. In 1983, the average Australian works until 2nd June to pay for government services. Unless this trend is reversed, TAX FREEDOM DAY will soon be clashing with the spring festival.

### Government and the Cost of Living

While the real cost of most essential items has fallen significantly over the last 40 years, the cost of government services has escalated steadily until it is now the biggest item in the family budget. The following table shows the time worked by the average Australian to pay for necessities —

Item	1939	1979	1983
1 Loaf of Bread	16 mins.	7 mins.	5 mins.
1 Litre of Milk	19 mins.	7 mins.	5 mins.
1 oz. of Beer	24 mins.	7 mins.	5 mins.
1 kg. of Meat	48 mins.	24 mins.	31 mins.
1 kg. of Wool	67 mins.	31 mins.	54 mins.
1 Year of Govt.	13 weeks	19 weeks	21.7 weeks

The Institute of Public Affairs recently released the following calculation for the year ended March 1983 —

Average increase in Consumer Price Index	11.5%
Average increase in government charges	18.3%
Average increase in private sector prices	10.0%

Even these figures understate the difference between private and public sector costs because some private price increases resulted directly from increased government charges (e.g. sales tax).

### ILLINOIS PROCLAIMS HENRY GEORGE DAY

Whereas, Henry George was a nineteenth century philosopher who made a significant contribution to economic thought with his "single tax" theory, and

WHEREAS, applying the laws of diminishing returns and the margin of productivity to real estate he advocated a locally levied tax on land values with the percentages remitted to governmental units equalling their total budgets, a theory which enabled all other taxes to be abolished; and

WHEREAS, his book *Progress and Poverty*, published in 1879, was extremely popular and enjoyed world-wide circulation; and

WHEREAS, it explained for the lay person economic reasoning of the day and inspired an analysis and reform of the tax system from which we benefit yet today;

THEREFORE, I, James R. Thompson, Governor of the State of Illinois, proclaim September 2, 1982, as HENRY GEORGE DAY in Illinois, upon the 143rd anniversary of his birth.

## FREE ENTERPRISE AND LVT

*The following is taken from "Incentive Taxation", (U.S.), June 1983.*

- Our cities are sinking rapidly beneath a mountain of debt. They find it difficult to impose more taxes on their already weak economies. The cry for more federal subsidies rises up. Result: more government, less free enterprise. Solution: land value taxation (LVT) could provide ample revenue without burdening the local economy — in fact, the higher the land value tax, the greater the incentive to private enterprise!

- The federal government expends vast sums on housing subsidies to combat dilapidation. One cause: housing is among the most highly taxed commodity in our economy, hobbling new construction and renovation. Solution: tax land, not buildings.

- Our cities sprawl out into the clean-and-green countryside. In addition to uglifying the environment, it increases the cost to local government for construction of roads, sewers, utilities, etc. The government is asked to intervene with often-restrictive land use laws. One cause: much inner-city land is inefficiently used because there is little out-of-pocket expense in holding it out of full use as determined by current market demand. Sites further out are forced into use. Solution: LVT.

- Unemployment mounts, and so does government intervention, even during times of relative prosperity. Some causes: high taxes on investment and employment. Empty lots mean no one is employed to build buildings on those lots nor is anyone employed to work in those un-built buildings; underused lots have much the same result. Solution: LVT.

- Inflation and recessions bring recurrent government interventions. One cause: the underuse of land brings about an artificial land shortage, which in turn brings about escalating land prices higher than would obtain in a free market. These artificially higher land costs are eventually reflected in higher consumer prices. The existing money supply becomes inadequate to clear the higher-prices goods off the market; recession threatens unless the government expands demand by increasing the money supply. The result is that the economy wobbles between the Scylla of recession and the Charybdis of inflation. Solution: LVT, which will make the underwise of land uneconomic.

- Poverty, all the more galling in times of growing affluence, is the product of the aforementioned economic conditions. No doubt there will always be people among us who cannot earn their own living due to handicap, age, illness, social and natural disasters, etc. To alleviate this poverty, government intervention is needed, and free enterprise is further burdened with heavy taxes. Solution: LVT would reduce the conditions that cause poverty, and in addition it would provide a vast fund sufficient enough to care for the deserving poor in a respectable way.

Let people freely exchange their goods and services, each standing on an equal footing with the other. Let freedom and equality reign! But let us realize that there is a certain insecurity in the free market. Prices rise and fall, fickle demand shifts constantly; there is loss as well as profit for the participants, even under the best of conditions. Beneath the free market, there is the yawning abyss of poverty, into which some of us can at any time fall. This

prospect repels many who would otherwise be free market supporters. But if there exists a natural fund to tide the unfortunates through their hard times, a fund which can provide insurance against the insecurities of the free market, wouldn't this attract considerable support for the free-enterprise system?

- The public sense of economic justice is dulled the more individual property rights are invaded by ever increasing taxes on private initiative. In 1975, government expenditures were 46% of national income! (Tax Foundation, 1977 Facts & Figures on Govt. Finance, pp. 16, 46, using U.S. Dept. of Commerce figures). With moral restraints weakened, the political arena becomes the focus of contending economic interests, each seeking its own aggrandizement at the expense of others, with little concern for the public welfare. Increasingly, people regard the government and not the free market as the source of property rights.

Unless we solve these problems, can free enterprise last for long? Or, buffeted and harried, will it fade away before the onslaughts of that great Leviathan, the omnivorous Welfare State? Are not people already blaming the existence of these social problems on free enterprise, when in fact they actually result from not extending the free market to the land sector of our economy? Are we not being forced into a greater reliance on Big Government than we really want because we are not gradually increasing the tax rate on land values?

### Comment

While the foregoing relates to U.S. conditions, much of it is pertinent to Australian conditions. However, our LVT at the local government level through site value rating in many areas has a significant mitigating effect.

★ ★ ★

### COMMEMORATION DINNER 1983

The Annual Commemoration Dinner will be held on Wednesday, September 21, at "The Victoria", 209 Little Collins St., Melbourne. Arrival, 6-6.30 p.m. Dinner, 6.30 p.m. Formal proceedings will close no later than 9.30 p.m.

The address will be given by Mr. David Spain, of New South Wales. Readers will be familiar with his capable exposition of Georgism in "Progress" articles. He is keenly involved in the alternate life-style movement, and has a legal background. His ideas have had a significant impact on N.S.W. Government policy.

Cost is \$12.50, but for full-time students or those under 16, half-price.

★ ★ ★

### DATES

Thurs., Aug. 25, 7.30 p.m. Discussion Night.  
Wed., Sept. 21, 6.30 p.m. Commemoration Dinner,  
"The Victoria", Little Collins Street.  
Thurs., Sept. 29, 8.00 p.m. Film/Slide Night.  
Thurs., Oct. 27, 7.30 p.m. Discussion Night.  
(Meetings at Hardware St. unless otherwise mentioned.)

## BELIZE CONSIDERS LVT

*Information for this article came from Fred Harrison's report on Belize resulting from his recent visit to that country. Mr. Harrison is editor of Land & Liberty, a British semi-monthly publication.*

Belize is a sliver of a country on the east coast of Central America, hemmed in by Mexico to the north and Guatemala to the west. The country was formerly known by the colonial name of British Honduras. Her new capital is Belmopan which is being built 50 miles inland, a safe distance from the hurricanes which play havoc with the towns on the mangrove coast. The population of 145,000 is made up of a mixture of the descendents of the original Mayan Indians, European settlers (mostly British and Spanish) and African slaves.

The early settlers were attracted by the logwood, from which was extracted the dyes needed by the Yorkshire cotton industry. The mahogany trade then became the most important sources of income until the beginning of this century, when it was replaced by sugar.

The political life of Belize is today (1982) dominated by the People's United Party, led by Prime Minister George Price. When independence was granted in September 1981, Price requested the continued presence of the British Army as a deterrent against the territorial ambitions of Guatemala. The British Army, supported by a detachment of RAF Harrier jump jets, has been established on an operational footing next door to the international airport 10 miles north of Belize City, which is the commercial centre of the country.

### UN Recommends LVT

As with the rest of Central America, the standard of living is very low for most residents. Estimates of unemployment vary from 10% to 20%. But these conditions exist not because of any shortage of natural resources, for the country is endowed with extensive mahogany, cedar and sapodilla (chicle) forests, and agricultural resources are fully adequate to meet the needs of the local population.

Perhaps living standards are low and unemployment is high because of the high concentration of land ownership in the country coupled with low land utilization. Fully two-thirds of the privately-owned land is held in parcels of over 500 acres, and the Belize Estate and Produce Co., the largest landowner, owns over 41% of all privately held land. Only 26% of the land suitable for agricultural cultivation is actually cultivated. Unemployed land leads to unemployed people.

No wonder it is, then, that the current government is seriously considering the adoption of a national land value tax. In addition to the reasons usually given in this bulletin for such a tax, the government sees that it would re-direct much-needed new investment funds away from the sterile purchase and holding of land to the more productive development of new industry. When money is invested in land purchase, no new land is created, but when it is re-directed into productive efforts, the economy expands and jobs are created. The newly produced capital expands the economy and creates new jobs.

The same can be said about slavery, when it existed. When money was directed toward the purchase of slaves, no additional labor was created. Instead, scarce investment

funds were channelled away from agricultural and industrial expansion.

In 1968, a United Nations report (Manual of Land Tax Administration) urged adoption in Belize of a 2% tax on land value. Five years previous, another UN report had stated that "a policy of land taxation must be considered vital to a progressive and dynamic approach to agriculture." No action was taken on these recommendations, but as soon as independence was granted in September 1981, the government seems to be leaning toward a progressive-rate land tax — i.e., a tax which imposes higher rates on larger holdings. This violates the principle of equal access by all people to the resources of nature. Such a tax could easily lead to schemes of tax avoidance (e.g., registering acreage under the names of relatives or employees). Also, it might cause the breakup of large yet efficient holdings into smaller, less efficient holdings. But a progressive-rate land tax is surely better than none.

The government officials in Belize are well aware that Montserrat, a small British island in the Caribbean, has had a successful experience with a land value tax. Says the authoritative report on the subject:

"Several large tracts of land which hitherto had been regarded as wasteland and in respect of which little or no real estate taxes had ever been paid in the past, have been forced into economic production by way of agriculture or other meaningful development. In many cases, landowners, realizing that it was no longer advantageous to hold land until such time as a substantial capital gain could be obtained, because of the punitive land tax were forced to dispose of part of their holding. This disposition often resulted in a general upsurge in the overall economy and served to effectuate a redistribution in land wealth." (from "Taxation of Land and Buildings in Montserrat," a paper presented to the Conference on Property Tax Administration, St. Kitts, 11/10-11/80, paragraph 11).

Perhaps Montserrat's successful experience with a land tax contains a lesson not only for Belize but also for El Salvador and other Latin American countries.

*Reprinted from "Incentive Taxation".*

## LETTER TO THE EDITOR

### RENT, MORE OR LESS?

In "Progress" (Feb. 1983) I read the article by Mr. Excell on "Can Taxation be Constructive?" It is quite interesting, but on page 2, column 2, he writes; "It would tend to reduce it (the cost of living) by reducing rent".

As I can see it, rent is a price, going up and down as businesses go up and down. Therefore, reducing the cost of living, may stimulate businesses and cause rent to rise. Rent as revenue to the community makes prices of land lower and that of course stimulates the building industry. That again may cause a rise in the rent of land. And arranged in that way it can yield more revenue.

Siebe Sevenster, Bennekom, The Netherlands.

## IMPORTANT BOOK ON WORLD HUNGER

"How The Other Half Dies". By Susan George Penguin — \$5.95. 352 pages.

Reference was made to this outstanding book in "Progress" some years ago. The purpose of this article is not so much to give a conventional review, but to select various highlights.

Overall, however, let it be said that this is a superb treatment of the question of world hunger, debunking numerous myths and pinpointing real causes, worthy to be ranked with Josie de Castro's "Geography of Hunger", which appeared in the fifties. It is a book which Georgists can applaud, as can all radical humanitarians.

To quote the dust jacket: "Why are so many hungry? Susan George affirms with conviction, and with solid evidence, that it is not because there are too many passengers on 'Spaceship Earth', not because of bad weather or changing climates, but because food is controlled by the rich. Only the poor go hungry".

Now for some notable items:

- Details are given (p.29) of how U.S. food-growing potential was deliberately curbed so as to maximise prices, and how farmers were paid NOT to grow food.

- Disturbing details are given (p.32) of diseases associated with hunger in third-world countries. It is also explained (p.33) how hunger in crucial pre-natal weeks leads to lowering IQ's.

- On p.34, the author stresses that non access to land is primary.

- It is pointed out that on the three poor continents (p.35), the largest holdings produce the least food. In Colombia, for instance, the small producers are 14 times as effective as the larger ones in terms of output per hectare. Susan George stresses that most land reforms in undeveloped countries exist chiefly on paper.

- Former colonial countries find themselves growing cash crops for export, while frequently the local poor are inadequately fed.

- While often the volume of exports from third world countries has increased, their value in real terms has often fallen. In 1963 Tanzanians were required to offer 5 tons of sisal to buy a tractor; in 1970, it became 10 tons.

- Rich Bangladesh farmers stood in line all night at bureaux in order to buy, at 'famine prices', land that famished small peasants were selling as a last resort. Thus land aggregation takes place.

- A powerful argument for vegetarianism (p.53) is given in terms of grain, used inefficiently for meat production, that could be directed to the desperately needy of Ethiopia, Bangladesh etc. However, it is stressed elsewhere abstaining from meat will only help the poor if there are proper accompanying structural changes.

- A pregnant sentence; "They are going hungry for lack of justice" (p.57).

- Despite an impressive growth rate, which is greater than that for the USA and UK, Brazil has appalling poverty and hunger — because of the maldistribution of wealth.

- Here is a staggering sentence: "A mere 2.5% of landowners with holdings of more than 100 hectares control nearly three-quarters of all the land in the world — with the top 0.23% controlling over half" (FAO land census).

- The myth of population pressure is effectively debunked with some telling examples. As the author comments: "The structure of land-holdings has far more to do with easing hunger than the amount of total population". Population density is *not* correlated with hunger.

- Some disturbing information on the subject of land reform is given about Indonesia (p.83), not the least of which was external Western intervention to arrest and reverse it.

Numerous examples are given of the introduction of inefficient technology to third world countries, under the guise of aid which is often far from disinterested.

An Indian University of Agriculture is described, four-fifths of its area consisting of land from which peasants had been expelled.

The fifth chapter of the book covers the ambiguities of the so-called green revolution; all too often the benefits of the dramatic increases in grain yields did not reach the ordinary folk of the third world. The power of the landlord to benefit from technological changes at the expense of the tenant is graphically illustrated in a dialogue which, though avowedly fictional, nevertheless is essentially factual in countless cases.

Cases of bloodshed and strife in India are cited relating to efforts of the landless to occupy the land they cultivated.

One paragraph is revealing: "In the face of full-scale deprivation, hunger and unemployment, there are two alternatives, one is agrarian reform, land redistribution and curtailment of privilege. The other is repression. At least in India, it seems unlikely that the first will be tried. There has been land reform in India — on paper. But the rural upper classes furnish the politicians".

The sixth chapter, "Planned Security", is a most revealing, and indirectly debunks the idea that the world cannot produce enough food to feed its population.

The final chapter contains some practical suggestions about how to go about taking action on the issue.

However, although Susan George recognizes the need for land reform, the question arises as to just how this is to be effected. Unless the nature of economic rent is understood, however, land reform will not be effective. "We must take for the community what belongs to the community — that is, community-generated site-rents (to phrase it one way). Susan George's book highlights and complements the need for the reforms of her distinguished namesake, Henry George.

## "GOOD GUYS" AND "BAD GUYS"?

By JAMES L. BUSEY (Secretary, Colorado Incentive Tax Association)

The confusion between land and land values is one among many sources of difficulty in creating understanding for Georgist ideas. What we propose is a tax on, or public collection of, economic rent from land values, not a tax on land at so much per square foot or acres. The general public tends to equate land with agriculture and farmers, as though urban communities float around on this air. So, when we talk about taxing "land, not labor", we convey the idea that taxes should be transferred from labor to agriculture — that we have something against farmers.

This confusion between land values on the one hand and land itself on the other creates another booby trap in the pathway to understanding. Many of us in the Georgist movement itself come to think of ourselves as in league with the agrarian reformers around the world, or "land reformers" as they are often called. The concept of public collection of economic rent, itself a pretty dull subject, gets lost in more exciting talk about land distribution or even sympathy for Marxist guerrillas, neither of which has anything to do with public collection of land values combined with liberation of productivity from the fetters of taxation.

A related problem for us is that most people prefer to personalize the good guys and the bad guys — as Marx did, in dwelling in the Communist Manifesto on struggles between "freeman and slave, partizan and plebian, lord and serf, guildmaster and journeyman" and finally, capitalist and worker. Unearned economic rent does not raise so many emotional hackles. We cannot even put the finger on the "landlords" because any one who owns real property collects or at least enjoys a certain amount of unearned economic rent — for example, business people, homeowners, tradespeople, farmers, developers, builders or any other landowners, whether parasites or producers. Of course there are certain types of slumlords and land speculators pure and simple, who do nothing except collect unearned land values. Otherwise, it is not easy to sort out the bad guys from the good guys.

These are illustrations of a few among many reasons why the whole world has never gotten worked up about the philosophy of Henry George. However, there is hope.

George's specific proposal, that the community collects a single tax from unearned economic rent and relieves producers of all other taxes, does lend itself to popular understanding and support. It is much easier to get people excited about the injustice of tax impositions on productive work and the justice of community collection of community-created values, than it is to arouse emotional fervor over abstract entities such as economic rent. Also, it is easier to get public support for measures that promise economic benefit, than it is to explain all the intricacies of a socio-economic philosophy.

This may be true of other philosophies, including Marxism. I suspect that more than a few people with less than a half-baked understanding of economic determinism, dialectic materialism or the theory of surplus value, have embraced Marxism because it promises to liberate them from thralldom and get their pie before they die.

To secure acceptance for the proposals of Henry George, it may be putting the cart before the horse to try

to explain his whole philosophy before offering his specific proposals. Recent local adoptions in Pennsylvania under leadership of the incentive tax movement illustrate this point. If the adoptions succeed, the time can come later to expand them in the direction of a single tax and to explain the whole philosophy. In fact, if the adoptions do succeed, the public will be more interested that at present in understanding the philosophy behind them.

Georgist Quarterly 1983.

## IMPORTANT NEW BOOK By G. HARDY

9.95 plus postage. 200 pp. (Reform Publishing Co. Melbourne).

"... How did full employment, increasing affluence and leisure change into growing unemployment and depressions?"

"... When the citizen's real income depends more on manipulative skills and on the power and privileges of his pressure group than on his productive contributions — then he will redirect his productive energies to obtain political concessions and 'free' benefits, trade protection and restrictive monopolies. He will avoid taxes, and won't hesitate to blackmail society and paralyse the economy to gain his ends.

Productive competition is replaced by increasingly violent power-struggles to obtain greater privileges and benefits ..."

"... In 'Society in Conflict' I discussed the philosophical inconsistencies of contemporary society, and in the 'Doom of the Welfare Society' the practical failure of open-ended benevolence was anticipated.

This book analyses and exposes the fundamental economic causes and mechanisms which precipitate the possible self-destruction of Free Societies.

I deal in detail with our system of income re-distribution which has become a devious cover-up, hiding reality behind a screen of complexity.

While all citizens are given measurable benefits such as tax-concessions, guaranteed minimum wages, subsidies or protection, I shall uncover devious methods which take away the earnings of producers in such ways that the losses are not clearly measurable. . . .

"We are living in turbulent times and even if we can avoid another war, socio-economic upheavals threaten to lead us into Chaos.

The central cause of our troubles is that an increasing part of incomes earned by producers of wealth is 'redistributed' to boost the incomes of privileged people.

The earnings of workers, other creative people, businessmen and entrepreneurs are 'transferred' by monopolies, restrictive practices, selective taxations, special benefits and other measures—to oil-sheiks, pressure-groups and nations whose 'entitlement' is created by electoral, industrial or military 'muscle'.

The extent of this injustice and the complexity of the exploitation is hidden by our devious, multiple income re-distribution.

This system covers up and prevents the identification of the common root-cause of the confusing and contradictory symptoms which cumulatively contribute to poverty, unemployment and economic depression.

A 'Resentment Overload, builds up against the system whose improvement appears to be beyond the ability of experts."

**"The Power in the Land". By Fred Harrison**320 pp. \$20.00 plus postage. *Shepherd-Walwyn London*

The pressure on governments to take vigorous action to halt the deepening global recession and lengthening dole queues is mounting, but policy-makers face a dilemma. Every prescription has its negative: monetarism — unemployment; Keynesianism — inflation; the planned economy — a loss of freedom and incentive.

In this context *The Power in the Land* represents some lateral thinking. Fred Harrison has re-examined the history and tenets of industrial society and concludes that the present *impasse* is the result of a distortion in our understanding of how the economy works, a distortion he traces back to Adam Smith.

Adam Smith provided the captains of industry and politicians with a theoretical framework and moral justification for the new mode of production which sprang up with the Industrial Revolution. He thought he was prescribing the conditions for a free market system, but failed to see that in allowing landowners to break the rules and exert a monopoly influence, a self-defeating element was incorporated into his model which operates to this day.

Marx attempted a critique of the malfunctioning economy. Yet, while he acknowledged that the power of the owners of capital was contingent upon the landowners' monopoly, he chose to blame the ills of 19th century industrial exploitation on the capitalist. In setting labour against capital, he further obscured the underlying cause of the malfunctioning of Adam Smith's market model.

After tracing the distortion in our understanding back to its source, Fred Harrison goes on to explain how the control of land causes the boom-slam cycle and impinges on almost every aspect of the modern economy; declining profits in industry, mass unemployment, inner city decay, urban sprawl, the high cost of public transport and other public amenities, and the tax system. Four economies — the United Kingdom, the United States, Japan and Australia — are singled out as case studies, but evidence is drawn from countries as diverse as Taiwan, South Africa, Jamaica, Israel, Yugoslavia, Sweden, Poland, the U.S.S.R. and mainland China illustrate the effects in these very different economies.

The means by which the market model can be made to operate efficiently are fiscal. The present multiplicity of taxes falling on incomes, employment, sales and production, would be replaced by a tax on the rental value of land. This would remove the monopoly influence of land and give a powerful boost to the economy through private sector investment, thus reducing unemployment. The competition for the use of land under the new conditions would ensure increased rental revenue for government while the bureaucratic cost of collecting taxes would be greatly reduced.

These proposals have been partially tested in various parts of the world, as Fred Harrison points out, but their macro-economic effects have been neglected. However, in recent years influential voices have been raised in favour of the main theoretical principle of this book:

'There is a sense in which all taxes are antagonistic to free enterprise — yet we need taxes . . . so the question is, which are the least bad taxes? In my opinion, the least bad tax is the property tax on the unimproved value of land . . .'  
*Prof. Milton Friedman.*

'One of the reasons that economists have long been interested in the tax on pure rental income is that it is a tax

without excess burden. Because the owners of land cannot alter the supply of land, the tax induces no distortions and therefore no welfare loss.' *Prof. Martin Feldstein*, Chief Economic Advisor to President Reagan.

'Specialisation in response to price incentives may, however, further widen income inequalities in rural areas that have increased in recent years. And while income disparities owing to differences in effort are considered desirable, such disparities also result from differences in the quality of land . . . To eliminate this source of inequality, and simultaneously provide incentives to increase output, it would be desirable to place increased reliance on land taxes while raising agricultural prices.' *Prof. Bela Balassa*, Consultant to World Bank, commenting on China's current programme of economic reform.

**About The Author**

Fred Harrison read Politics, Philosophy and Economics at Oxford and received his M.Sc. from the University of London. He is currently working for a Ph.D. and is chief reporter on one of Fleet Street's Sundays. Research for this book has extended over ten years and has taken the author right round the world to study at first hand the operations of the land market in the widest variety of geopolitical conditions.

**PRESS LETTERS OF INTEREST****TAX THREATS REVIVED AGAIN**

The threat of a punitive tax on all forms of capital gains and wealth has been revived again.

It is fully justified to collect for government revenue unearned incomes. But taxes which penalise incomes earned in productive activities and savings, serve as a disincentive to prosperity, employment and productivity.

In practical terms, the "windfall profit" from the re-zoning of farmland into residential building land should be taxed. But the "goodwill profit" received as the result of the development of a project, an invention or a business — should not.

Taxes which reduce unearned wealth that accumulates without productive efforts serve as an incentive for prosperity. They make it necessary to provide some goods or services to earn an income: By taxing profits from the price increases of natural resources such as land they reduce costs and increase effective demand.

On the other hand, we all know that taxes which penalise earned incomes serve as a disincentive to productivity. Many people reduce their efforts or stop working if the rewards of what they earned is taken away to benefit "someone else" who did not work for it.

— Dr. George Hardy, Melbourne, "Brisbane Courier Mail"  
June 17, 1983

**CHEERS FOR LAND TAX!**

Protesting about Land Tax, the Property Owners Association could spare a tear for those who own nothing and, likely, never get the chance.

The term 'property' derives from the Latin word for what may be claimed personally, either through making it yourself or having similar indisputable right. Land is not in that category, although homes and other buildings are.

The word 'owner' comes from the Anglo Saxon concept of 'owing' and is allied therefore to 'ought'.

What landowners 'ought' therefore to pay is what is owed to the community for the continuing locational advantage of the site.

**HELP!**

Would any reader able to help with occasional working bees (eg. addressing envelopes; sorting literature), day or evening, please notify the office at 31 Hardware Street, Melbourne.

This Site Rental should be taken in full for public revenues. The price of land would then fall to zero and purchasing power would rise all round with the resultant end of land speculation and the senseless withholding of it from reasonable use.

The taxation that today impedes our every activity would become needless and property (in its best sense) could then be readily created and maintained.

Automatically, everybody would have membership of the Property Owners Association and, like Micah beneath his vine and his figtree, none then could make him afraid.

Perhaps the P.O.A. should respond!

W. H. Pitt, President, Henry George League, Melbourne, submitted to "The Australian Financial Review", April 1983.

## PROTECTIONISM

Sir, — There is a rising tide of protectionism, both here and overseas, which, as past history shows, could constitute a threat to world peace.

While protectionism may save jobs in a minority of industries, it is invariably accompanied by an overall decrease in jobs, especially in more efficient industries.

Thus there are many forces and undercurrents causing the rising tide of protectionism. The question is: can all the King Canutes hold back this tide?

The unsolved economic problem lies at the root of the world trade problem — and ultimately world peace. The spectre of unemployment and depression still haunts the world.

Measures so far adopted — ranging from supply-side to Keynesianism to collectivism — have not worked.

It is not time to look at the fundamental but generally ignored diagnosis of land monopoly and land speculation as the basic cause of unemployment and depression?

Access to locations surrounded by community amenities is basic to economic and social activity, and in the real world (as distinct from current economic theory and current policy) is basic.

Should we not now consider the fundamental remedy of properly applied land value taxation and the steady reduction of other taxes?

This measure would encourage increasing production and permit a truly free market to operate without the dangers inherent in our system. With a prosperous domestic economy, free international trade would come much more easily.

Yours etc.,

J. H. Morris, Melbourne. "Kyneton Guardian", 21-6-83.

## SITE VALUE BEST

"May Day", of Blackburn in his letter (Gazette, May 25) asks what the NAV rate bill would be on his 26-year old-brick veneer home close to amenities in Blackburn which has a site value rate bill of \$323.49.

On the calculation by the retiring town clerk the answer can be found by multiplying the NAV figure on the rate notice by 12.69 cents. If it was \$2750, which indicates a council valuation of \$5500 at June 30, 1978, the NAV assessment would have been \$348.95.

There would be an additional \$12.69 annually for each \$2000 spent on the enlarging, and remodelling that "May Day" mentions.

Provided Nunawading Council rescinds its foolish NAV proposal or ratepayers defeat it at a referendum, the retention of site rating will involve no such penalty.

All the figures will, of course, be changed with the revaluation in progress since June 30 last year. If this revaluation is properly done and industrial and commercial land is shown nearer to full value that it is now, site rates for residential land would come down.

It is time our councillors realised all this and joined in urging that the Board of Works also move to the site value system that does not penalise property improvement.

W. H. Pitt, Secretary, Nunawading and Board of Works Site Rating Association, "Nunawading Gazette", 22-6-83.

## TAXES COULD LESSEN WORK INCENTIVES

The threat of a punitive tax on all forms of capital gains and wealth has again been revived.

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In practical terms, the "windfall profit" from the rezoning of

farmland into residential building land should be taxed. But the "goodwill profit" received as the result of the development of a project, an invention or a business should not be taxed.

Taxes which reduce "unearned" wealth that accumulates without productive efforts serve as an incentive for prosperity. They make it necessary to provide some services to earn an income.

By taxing profits from the price increases of natural resources, such as land, they reduce costs and increase effective demand.

On the other hand, we all know that taxes which penalise earned incomes serve as a disincentive to productivity. Many people reduce their efforts or stop working if the reward that they earned is taken away to benefit "someone else" who did not work for it.

Most people consider such taxes on earnings as a political form of robbery imposed by force and contrary to "equal" justice.

They develop devious means to avoid taxes.

They form pressure groups and unions use "industrial muscle" to obtain subsidies, tax-free benefits, concessions and other measures which give to the powerful groups unearned incomes.

All such privileges are unjust and simply increase costs.

G. Hardy, Melbourne, "Herald", 6-7-83.

## ROOT CAUSE OF POVERTY

Sir — Oscar Wilde once wrote that the worst slave owners were those who were kind to their slaves, and so prevented the horror of the system being realised by those who suffered from it, and understood by those who contemplated it.

For the same reasons it might be said that the worst enemies of the poor are those who contribute most to their relief. By so doing they do not cure poverty: they merely prolong it.

In his article "The Politics of Foreign Aid" (The Advertiser 27-6-83), Chris Milne queries whether such help gets to the poorest people in Third World Countries.

At the recent Community Aid Abroad seminar in Adelaide that same question was examined in depth.

Sadly, in that article and at that seminar no thought was given to the cause of poverty; all effort was directed towards the means of relieving its effects.

Multi-million-dollar road-building projects in the Philippines, or small-scale irrigation projects in India, are not a solution; they are an aggravation of the difficulty.

The proper aim should be to try to reconstruct society in such a way that poverty will be impossible.

A recent report from Oxfam (of which Community Aid Abroad is the Australian Associate) entitled Land for People: Land Tenure and the Very Poor concluded that the root cause of persistent hunger and poverty in Third World villages was not lack of investment in the countryside, rapid population growth, environmental deterioration or the lop-sided international economic order.

The root cause was the existence of unjust land tenure systems and the political, economic and social policies which enabled these systems to prevail.

How futile it is to teach the peasants how to improve their productivity when the margin of that improvement goes, as it inevitably does, to an absentee landlord in the way of increased rent.

Until that injustice is removed, the combined efforts of the Australian Development Assistance Bureau, Community Aid Abroad, World Vision and the many other aid organisations can achieve very little.

John E. Hall, Belair, "Adelaide Advertiser", 1-7-83.

**Startling.** One-half of 1% of one year's world military expenditure would pay for all farm equipment needed to increase food production and approach self-sufficiency in food-deficit low-income countries by 1990. Brandt Report.

**Perceptive.** "It is a great pity that Henry George has not gotten more attention, and Adam Smith and Karl Marx and their fans less. George's ideas were not only ahead of his time, they are ahead of ours". Professor Paul de Lespinasse (author of "Thinking about Politics"). Incentive Taxation (U.S.), June 1983.

## LAND PRICES NOT RATES

It is absurd to suggest that high rates are delaying development prospects (BD May 20). The true cause is overpriced land as, indeed, Paul Finch implies towards the end of his own article, where he comments: "Assuming the site has to be bought at today's costs, it is unlikely that a development could make money where the rent was less than £70.00 per sq. m."

This interpretation is to put the cart before the horse. Land costs nothing to produce; its value is by definition a residual, after

allowing for current rates of return on construction costs, management, maintenance and local authority rates. If the price asked for the land is unrealistically high as to leave the land with a negative value, they cannot be blamed for holding back development.

One way of promoting development would be to change to the site value method of rating practised in Australia, New Zealand and parts of the U.S. The valuation is that of the site alone, whether in use or not, and disregarding buildings and improvements. Buildings are effectively de-rated. Marginal sites would not be subject to rates.

Site value rating would encourage owners to bring land forward for development instead of keeping sites vacant in the hope of obtaining unrealistically high prices. It is a pity that this particular rating reform was not included in any party's election manifesto.

Henry Law, Hove, Sussex, "Building Design" (U.K.), 3-6-83.

## ADDRESSES

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## THE HENRY GEORGE LEAGUE

31 Hardware Street, between Elizabeth and Queen Streets Melbourne, 3000. Telephone: 67 2754. Hon. Secretary: Mr. G. Forster. Office Supervisors: Mrs. M. Rosenthal, Mrs. L. Sutton, Mrs. J. Wigley.

The Henry George League is a non-party educational body advocating that public revenues be drawn from public charges upon the site value of land and that taxes upon labor and capital be correspondingly abolished.

If your view accords with this you are invited to join. Annual Membership Fee is a minimum of \$10 which includes cost of the newspaper "Progress" posted.

Subscription for "Progress" alone within Australia is \$5 per annum posted (for which stamps will be acceptable). This is nominal only to extend our message to new contacts who we hope will later become members. If you appreciate the newspaper you are invited to obtain new subscribers.

Subscription rates for "Progress" posted to overseas countries are £3 (stg) to Commonwealth countries, and \$6 for other countries.

## MEETINGS

Held at 31 Hardware Street

## EXECUTIVE

Thursday 8th September at 6.45 p.m.

For other meetings see page 6

## Meetings Of Other Bodies For Which "Progress" Is The Official Organ

The following meetings will take place at Henry George League Rooms, 31 Hardware Street, Melbourne:

Combined Work Nights on special projects for the  
Land Values Research Group and General Council for  
Rating Reform:

Thursday 15th September at 7.30 p.m.

These are working meetings. New workers or enquirers are invited to come.

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