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THE PROPER REVENUE OF A NATION IS THE SITE RENT OF ITS LAND

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Editor ***** A S Furniss

VIEWPOINT

ON CREATING JOBS

COMMONWEALTH GOVERNMENT TREASURER LYNCH is under attack within the Liberal Party. His attempts to cut back expenditure have resulted more in containment than reduction and in these troubled times that must be considered something of an achievement. Politics however, is essentially a game of popularity, and cutting back government handouts is usually an unpopular thing to do. So far Mr Lynch has not yielded to the calls for increased spending to create jobs. How long he will be able to hold out is a matter for speculation. Our guess is that he might make it to the August budget but not much further.

The opposition has failed to make any concerted attack on his policies despite the continuing opportunities afforded by our high rates of inflation and unemployment. The reason for this is probably that they don't have a workable solution either.

We applaud the attempt to reduce government spending. If it can be done, then taxes can be reduced and the burden on companies and individuals can be reduced accordingly.

For a so-called capitalist country we have a large measure of applied socialism in our system, with free education, social welfare payments, income redistribution through the graduated taxation of private and corporate incomes (not to mention tariffs which redistribute wealth to the protected ones), centralised state control of communications and transport, rights of inheritance not abolished but heavy taxes on inherited wealth, and state control of the money supply, interest rates and the exchange rate. Marx would be proud of us. The point is that all these interventions in the lives and trade of the people have gained considerable momentum and like it or not, cannot be rapidly reversed without great disruption, no matter which party is in power.

The total of government expenditure if the nation is in reasonably good shape, will always

THE PRINCIPLES OF GOOD GOVERNMENT

1. The true function of government is to maintain peace and justice. This does not include interfering in national or international trade or commerce, or in the private transactions of its electors save only as these threaten peace and justice.
2. A democratically controlled and just revenue is available to governments by the collection of all site rents as their sole and proper revenue, at the same time abolishing all taxes, tariffs and unjust privileges of every description.
3. A democratic system of representation by the adoption of proportional representation in multi-seat electorates and simplified provision for the referendum, initiative and recall.
4. A continuous program of education in the economic facts of life to enlighten the electorate.

be a fraction of the Gross Domestic Product for any year. In other words the levels of taxation must not be so high that nothing worthwhile is left to the producers, for their incentive would be completely destroyed. Looked at from another angle, we see the GDP as the sum total of wealth created spontaneously by private enterprise. The legitimate functions of government have never included the creation of wealth or employment and none have ever been greatly successful at it. The level of private activity will always be many times that of the state in a healthy situation, the latter being a fraction of the former. Those politicians who advocate the increase of government expenditure to create jobs have overlooked this point, for increasing the fractional portion can only be done by taking more away from the private sector.

The confidence of the private sector is not high and increased taxes will not boost the shaky confidence. Furthermore the increase of job opportunities by spending a few more millions will not appreciably reduce the

six-figure total of unemployed.

But still they do it. Politicians from both camps press for more spending to create jobs. *Increased government spending is no way to reduce unemployment.* Unfortunately it seems a politically favourable thing to do, but without some corresponding encouragement to private industry and a rise in private activity, the effects of increased government spending will only be short-lived and make matters worse in the long term.

In order to restore the private sector confidence a shift of taxation is needed, away from the active factor of production onto the passive factor. All tariffs and taxes on labour and goods should be reduced by about 30 per cent initially and the revenue difference made up exactly by a uniform levy on the Unimproved Value of all sites, payable by the title holders, with no sliding scales or exemptions. Taken in three equal steps at two-year intervals the whole shift could be made in six years.

Now do not think that this is an instant miracle-cure for our economic malaise. Many things are wrong which need adjusting or correcting. Many of the wrongs are the direct result of government control and intervention, and the failure of government to recognise and collect its true and proper revenue. The adjustments will take time. The shift of taxation onto the passive factor of production is the only remedy which will have long-lasting beneficial results. It is not a new imposition. It is the lessening of an existing burden and spreading of that burden more equitably over the people, particularly onto some who escape it completely at present. In addition it will compel people to consider more carefully the size and location of the land they occupy in relation to the use to which it will be put.

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THAT PROVES IT!

The article in the morning paper about the German economy outlined a few facts about the unemployment and inflation rates in that country and commented on the deep concern showed by the people about the state of affairs. The photo showed white-collar workers of the 1920s carrying home their weekly pay -- bundles of notes by the armful.

Well, exclaimed your Editor's wife, that proves that inflation is not the cause of unemployment. They have the lowest inflation rate in the world, 3.2 per cent, and about the same unemployment rate as we have in Australia!

Full marks, my dear, for a lucid observation which will be overlooked by so many.

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NEW EDITOR

With this edition your Editor of the last four years reluctantly relinquishes his chair on account of the pressures of living and the demands of a growing family. The editions have been falling further and further behind, which you must all have noticed, and we have been rescued by Mr John Brandon, who will assume all

editorial functions with the next edition.

Typesetting will be done by Mrs Sullivan and make-up by Mr Les Taylor. Any support you can offer the new team will be greatly appreciated.

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SUBMISSION TO THE N.S.W. STATE CABINET SUBCOMMITTEE ON LAND TAX AND RATING SYSTEMS

We respectfully submit the following comments:

Firstly, we strongly affirm that revenue collection based on site value is an excellent system. It is absolutely just and is sound economically. Further, it has worked extremely well and continues to do so. We are strongly opposed to any moves to replace site value taxation by any other forms of taxation. The other main forms of taxation are causing disruption to reasonable economic activity, as they act as deterrent fines on all transactions.

All Royal Commissions in the past have found that site value taxation is the most appropriate method of collecting revenue for local government, although in one case they appear to have recognised that there is pressure by some in the community to replace this just payment by other taxes. A copy of a 1965 submission by this Association is herewith.

The most recent commission also found that site rating was not excessive. There is no reason to believe that the position has changed recently, and we refer to the attached copy of some final conclusions in a study by Mr. P. D. Groenewegen on "The Taxable Capacity of Local Government in N.S.W." (Australian National University, Research Monograph No. 13. 1976.)

We do not know whether your committee is receiving submissions from pressure groups which seek to increase income tax in order to reduce site taxes; however we ask that you examine such suggestions with great care, as we believe that they are not in the interest of the community generally, and they are particularly contrary to the interests of the ordinary working man.

The title to hold sites is a continual privilege granted by government, at the expense of the rest of the community. The value of this exclusive holding is tremendously enhanced by all the services which government provides or subsidises. Efforts are made to reduce site taxation by those who wish to get the benefits of this expenditure without contributing accordingly.

The value of land is increased not only by local government expenditure, but also by State expenditure, and site taxation should not only be used to provide all local government revenue, but should be intensified to provide increased State revenue and allow the removal of Stamp Duty and Payroll Tax.

There are some minor anomalies in the current use of site rating. We refer particularly to the use of excessively high minimum rate payments, and we submit that the level set should be restricted to a low figure.

There are also a number of varying scales used in the State Land Tax, and in the MWS & DB RATING. There should be a steady move to a uniform rate in all cases, with no exemptions. Similarly, within any local government area the rate should be uniform for the whole area, and there should be no exemptions and no differential rates.

We also believe that local government should not be used to provide charity by special favours in regard to rates. We firstly suggest that special assistance to the needy is a matter for the State government, and secondly that any assistance should not be related to how much site value a person holds. It is a travesty of justice to propose a charity for site holders, and not for the landless.

We again stress that it is the duty of a good government to collect according to the value of privilege. Any reduction of site taxation can only be to the advantage of speculators and land owners, and will adversely affect the standard of living of people who work.

J.T.WEBBER, Secretary,

Association for Good Government.

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* National Times, 29 November 1976.

WESTRALIAN SECESSION

Sir -- I read with great interest John Edwards's article, Thin plea for protection (NT Nov 1).

It will I hope indicate to a wide section of the Australian public why Western Australia has an active secession movement campaigning for the state to leave the federation.

Under the terms of Australian tariffs, Western Australia has to purchase her manufactured necessities in one of the world's most expensive markets -- the Australian market.

On the other hand, her income is obtained by selling her primary products in the cheapest market -- the world.

In other words, the state sells cheaply and buys expensively -- generally a non-business-like situation. It is interesting to note that Western Australian exports earn the Australian government 20 per cent of its overseas income, even though it has only 8 per cent of the total Australian population.

Another eye-opener for your readers is that the Western Australian trade figures currently indicate a 20 per cent surplus of exports over imports. Compare that healthy situation with the trade figures of the two states enjoying the benefits of tariff protection. I believe from the most recent figures available to me, that both states have dismal deficits of over 30 per cent.

The fearful disability of having to buy as a captive market of the tariff-protected industrialists involves the "sand-groppers" in a heavy impost of state taxation although her manufacturing base is quite narrow as a percentage of Australia's: industrial heavy chemicals 3%; machinery and implements 1.8%; textiles 0.4%; clothing 1.2%. Western Australian imports last year amounted to \$1712 million, of which \$1134 million were spent in the Australian tariff area.

Our records and figures indicate that the latter sum would have been reduced by \$300 million had the material been obtained from overseas manufacturers. Western Australian exports in the same year amounted to \$2101 million of which only \$217 million were directed interstate.

The financial disability inflicted on Western Australia by the Australian tariff became evident as early as 1902, the year in which the first motion for secession was heard in the State Legislative Assembly.

DON THOMAS Westralian Secession Movement

Nedlands WA

* SECESSION FOR ALL, we cry, for isn't it everyone's natural tendency to buy on the cheapest market while trying to obtain the highest possible return for our efforts? Our Prime Minister has received mention in the media for his visit to a Japanese camera factory and the resulting duty-free purchase. Yes, a natural tendency in us all, why should he be different? Our greatest hope is that he would make every effort to put our domestic market place in order so that we might all enjoy what our secessionist correspondent longs for. EDITOR.

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CASUAL SENATE VACANCIES

THE PROPOSED AMENDMENT to the constitution would provide for the filling of a casual vacancy by the parliament of the state concerned, but its choice would be limited to members of the party which 'publicly recognised' the vacating senator at the time of his election as 'an endorsed candidate of that party'.

The right of choice of parliamentary representatives belongs in all cases where practicable with the people rather than with states or political parties. As senators are elected by the quota-preferential method of proportional representation, there is no doubt that it is practicable for the choice of replacements of vacating senators to be made by the voters. It is logical that the voters who lose their representation as a result of a senate seat being vacated should choose the person to fill the casual vacancy.

This concept can be put into effect by re-examining the voting papers forming the quota of the vacating senator to determine which of the unelected candidates was the next choice of the voters concerned. A provision for the application of this procedure has been used in Tasmania for filling casual vacancies in the House of Assembly since 1917, so that its practicability has been clearly established.

Liberal Party Senators have been urged to include reference to this procedure in the official NO case. They chose not to do so but did emphasise two other points which are important. One was that the introduction of the term 'political party' into the Constitution without definition was likely to lead to considerable confusion and probably to legal argument. The other was that there is no provision in the proposed amendment to ensure

(continued on page 15, col 2)

LOCAL GOVERNMENT TAXATION IN NSW

BOOK REVIEW

"The Taxable Capacity of Local Government in N.S.W." is a Research Monograph (No.13) issued by the Centre for Research on Federal Financial Relations at the Australian National University, 1976. Its author is Mr. P.D. Groenewegen.

The aim was to investigate the difference in "taxable capacity among local government areas in NSW", and to study "one aspect of the fiscal horizontal imbalance known to exist among more than two hundred local government authorities". It is not quite clear which imbalance should be corrected nor what is the criterion of correct balance. (It is surely not suggested that areas should be made the same in all ways. The word imbalance seems to be an emotive word used for political ends by those seeking the investigation). No justification is given by the author for his statement that "the importance of such a study hardly needs to be stressed".

Taxable capacity is defined as "the product of a standard tax rate and the revenue base to which that rate is applied". One can but ask why differences in this should be equalised in some way. The choice of the amount of revenue collected and spent should be decided by the electors concerned.

The author says that for the purposes of the Study, "it has been decided to measure differences in relative taxable capacity by constructing indexes which have regard only to differences in the per capita revenue base". The reason for this odd decision is "because relative differences in taxable capacity can be measured without reference to the standard tax rate". The reviewer suggests that there is no such standard tax rate anyway.

The author himself appears to be uncomfortable with some of the basic premises and basic information on which the statistical study is founded. Although there is a suggestion that justice is being sought, the author seems to go along with a number of concepts of taxation which are both unjust and uneconomic, such as, that revenue collection should be related to wealth or income of individuals. The monograph is of course not a study of what is the correct form of revenue collection.

A large amount of statistical information concerning local government revenue is provided with various tables also showing derived data such as per capita rates, etc. The statistics of course show that some councils have different revenues in total, and different revenues per head. A council is then said to have a deficiency in taxable capacity if it has taxable capacity below the average; and as not being deficient if above. What is significant about the average figure for the indicator is quite unclear. It is amusing to read that by this definition, "it was shown that there was no net revenue disability over the state as a whole because the aggregate positive and negative disabilities cancelled out". It would indeed

have been surprising to reach any other result because all that it means is that the average was not above or below the average. These are perhaps petty criticisms and the author himself agrees that the statistical approach is far from ideal for a number of reasons.

When the term "capacity" is used it normally suggests some limiting condition, but Mr. Groenewegen does not mention the real economic limit to site rating revenue, which is of course the full site rent. The only mentioned limit to increased site taxation is "the strong political constraint" which prevents increased utilisation of this tax base, and he refers to "political intolerance of rate burdens". Surely we are not expected to accept this as an economic or ethical reason for increasing income tax to subsidise site holders. One feels somewhat sympathetic to Mr Groenewegen for he appears to have been encouraged to make this investigation with a view to assisting a political decision to allow a grants committee to use increased income tax to replace site taxes. However one must feel very satisfied with Mr. Groenewegen's integrity and intellectual approach as seen in some general conclusions reached in the last few pages, from which the following extract is taken:

"The question whether rate burdens have risen dramatically in the period of this study is difficult to answer, because the answer depends on the criteria used. It is true that rates per head in New South Wales have been rising steadily; between 1961 and 1970 they rose by 66 per cent. Even if allowance is made for the rate of inflation, there was an appreciable growth of 35 per cent during the decade. It is interesting but not surprising to note that these are the general measures of rate increases used when this topic is considered in the press or in the publications of the New South Wales Local Government Association.

"When more meaningful relative indicators are used, this picture of rising rate burdens changes dramatically. Relative to Gross Domestic Product (GDP), there has been a fall in rate revenue collected in New South Wales from approximately 0.6 per cent in 1961 to 0.5 per cent in 1970. Relative to Federal income tax collections in New South Wales, rates fell from 24.7 per cent to 15.8 percent between 1958 and 1971, while relative to New South Wales State tax collections they fell from 61.6 per cent to 43.7 per cent over the same period. In other words, when compared to the rising tax burdens imposed by the other levels of government, the rate increases have been rather small. This suggests that local government has not been exploiting its tax base to the same extent as other governments.

"This apparent under-utilisation of the tax base by many councils in New South Wales has been noted at various points throughout this study. In the Sydney Metropolitan area, for example, it was shown that below-average tax effort predominated, especially in relation to the New South Wales average, and that this may

be taken as an indication of low tax base utilisation. Similar considerations applied to non-metropolitan cities and municipalities. However there are difficulties of interpretation here arising from the inverse correlation between U.C.V. per capita and rates struck. Furthermore, a good indication of tax effort requires income data, which were not available for individual councils. These results are in line with Bentley's observation that the rate of growth of the New South Wales local government tax base has greatly exceeded the rate of growth of rate revenue, and that local government in fact has had the most rapidly growing tax base of all levels of government. This study also substantiates the remarks made by Professor W. Prest, to the effect that compared with U.S. and Canadian property owners Australian property owners are lightly taxed.

"In his calculations, Prest included land taxes and water rates, so that multiple tax base utilisation was not a qualifying consideration in this context. The impact on local government finance of the Federalism Policy of the Federal Government elected in 1975 cannot be assessed at this stage.

"If these conclusions have remained valid, and there is no reason to believe that they have drastically changed, a large part of the case for alternative revenue sources for local government disappears. Before local government is granted additional revenue sources or taxing powers, there should therefore be a thorough investigation of the degree of utilisation of their present tax base. If this is judged to be too low, access to additional revenues should be refused unless a convincing case can be made out on other grounds.

"The grants now paid to local government by the Federal Government on the recommendation of of the Grants Commission cannot be cited as evidence of vertical fiscal adjustments to compensate for inadequate revenue sources. Their purpose is to achieve horizontal balance through fiscal equalisation.

"One alternative case for additional revenue sources for local government is an equity one. Benefits from services provided by a council, especially those from more recent activities in health, welfare and recreation, accrue not only to taxpayers who pay their costs but to all residents. It is therefore fair that all residents should contribute to council revenue, for example through a residents' poll tax as has been proposed by the Royal Commission on Rating, Valuations and Local Government Finance and by other commentators on local government finance. The difficulties involved in this benefit argument have been discussed previously, but may be recapitulated.

"To a large extent, the relevance of the benefit principle depends on the incidence of rates and on the incidence of local government expenditure. If tenants pay the rates imposed on their landlords, then many residents are de facto ratepayers and the argument in favour of special resident taxes loses much of its force.

Furthermore, what little knowledge there is about expenditure incidence suggests that benefits are unevenly distributed, and that they are frequently diffused outside the boundaries of local government areas. The claims that the newer services provided by local government in health, welfare and recreation (the benefits of which are unrelated to property ownership) have been rising rapidly, and that this phenomenon reinforces the need for imposing new local government taxes on residents, were not substantiated in this study.

"The relative importance of these expenditures has remained remarkably steady between 1958 and 1971 except for spending on libraries, one of the activities supported by State government grants. The case for additional tax powers requires rising relative shares of these types of expenditure if it is to be convincing.

"Another case for alternative revenue sources for local government has been based on international comparisons. As the paper by Professor Prest has shown, this is a dangerous argument. First, in the countries with which Australia is most frequently compared, that is in the United States and the United Kingdom, local government has far greater responsibilities than in New South Wales. In the second place, the alternative revenue sources available to local government in the United States, which are so envied by the New South Wales Local Government Associations, raise less than 10 per cent of local government revenue in that country. This is rather small, even when the much greater responsibilities of American local government are ignored. It can be convincingly argued from comparisons with North America that New South Wales local government should be fully self-sufficient from rate revenue provided that it adequately exploits its tax base.

"There therefore seems to be no real case at present for additional revenue sources and tax powers for New South Wales local government. The increases in rate burdens, on which much of this argument depends, have been largely exaggerated, although it remains true that in some council areas rates are high due to revenue or cost disabilities of the kind which equalisation grants are intended to alleviate. The other arguments in favour of additional revenue resources for local government do not stand up to more detailed analysis, especially when this is combined with statistical investigation. The following conclusion is much closer to the truth: gradually rising tax base utilisation and the growth of the tax base will enable most councils to maintain and even to expand the services provided to their constituents.

The above comments must not be taken to imply complete approval of the rating system as a system of taxation. Elsewhere I have argued for the abolition of this tax and its replacement by a net worth tax, provided that the tax reform package of which this proposal forms a part is accompanied by new initiatives in revenue

sharing in the Australian federation as a whole. To pursue this topic further would lead this discussion too far from the subject matter of this study.

It is sad to realise that since that was written, recent government decisions have granted many millions unnecessarily to the Grants Commission for local government. But, what is sadder is that our "eminent economists" cannot see (or else for political reasons, they will not state it) the simple fact that site value taxation is absolutely sound morally and economically and that it causes prosperity; although they do seem at last to be realising that all other types of taxation including deficit budgetting are stifling the economy and causing unemployment - but that is not the subject of the monograph.

S S GILCHRIST

Roseville NSW

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THE ENCLOSURES

*** RONALD STRAHAN

THE ENGLISH WORD *PARK* comes via the old and modern French *parc*, from the medieval Latin *parricus*. In English, *park* is first recorded from the 18th century when it had the meaning: an enclosed tract of land held by royal grant or prescription, for hunting. A park differed from a chase in that it was enclosed by fence or hedge.

The concept of a park entered British culture with the Norman invaders in association with the royal or noble prerogative of hunting. This is typically a nomadic pursuit and, in the culture of invading nomads, even when they have settled down, is expressive of their contempt for the earlier inhabitants, tied to a location by the practice of agriculture. In this respect the customs of the Normans greatly resembled those of the westward moving Huns and the eastward moving Mongols who conquered China. Traditional marks of prestige die hard and I find it fascinating that nine hundred years after the Norman invasion, hunting is still an expression of the status of the British landed gentry.

A park is not necessarily a wilderness, except in the sense that it is uncultivated, nor is it a forest. The early royal game parks of England could include patches of dense forest or scrub land but only open woodland or grassland was suitable for both deer and equestrian huntsmen. Indeed, the term *parkland* has come to have a fairly precise meaning in ecology, connoting something between savannah and open forest. (My objection to regular winter burning of national parks is that this destroys the understorey of shrubs and juvenile trees and tends to convert the area into 'parkland').

By the 16th century, park could mean a field or paddock, the word paddock having come from the dialect word *parrock*, close to the Germanic root (*parrak*, a field or enclosure). By the 17th

century it had come also to mean an *enclosed piece of land for public use*. It thus came rather close to meaning a *common*.

In the middle ages, or earlier, the basis of land division over the whole of southern Britain was the vill, usually corresponding with a parish and having agreed borders with neighbouring vills. Within the vill the arable land was divided into fields, usually three of these to permit rotation of crops. Each household of the vill owned and worked a strip, or strips of land in each field. Non-arable land was allocated to sheep pasturage and what was left over, in other words the waste land, was deemed to be common land, or common for the use of all households.

It offered coarse grazing, firewood, rough timber, sometimes turf and game. It would seem precarious to expect a group of villagers to share such resources equitably, but elaborate rules and customs grew up over the centuries to regulate the exploitation of the renewable resources of the common. The number of cattle that a household might turn out to the common in summer could be no greater than they could feed from their own field strips in winter.

A householder might not collect more fuel from the common than he could reasonably use in his own home.

This rather socialist approach to land utilisation was not acceptable to the Norman conquerors, and when they parcelled England out between themselves, each overlord desired ownership of all the lands in his fief. He could not directly expropriate the villagers, although he could tax them out of their land, but he saw no reason not to assume control of the commons.

The Normans were legalists, and in 1235 they enacted the Statute of Merton, which granted to 'the great men of England' the right to make their profit out of their lands, wastes, woods and pastures, provided that sufficient land was left to satisfy the needs of their tenants. Needless to say, tenant and lord seldom agreed on what was sufficient, but in legal form if not in practice the onus was on the expropriator to prove that he had not taken too much. He had as it were to make an environmental impact statement but it was as much a placebo then as it is now.

The Second Statute of Westminster in 1285 went further and permitted the lord to *enclose* common land for his own farm, for sheep grazing and for hunting; in other words to make a park.

Having no competency in law and little in history, I cannot traverse the course of enclosures over the subsequent 600 years. Millions of acres were enclosed, becoming the personal property of an aristocrat although still subject in many cases, to the vestigial rights of the families of the original neighbouring freeholders. From 1300 to 1700 the rate of enclosure varied but thereafter it rocketed. It has been estimated that between 1720 and 1870 one acre in seven in England changed from common (which was virtually no ownership) to the private ownership of a member

of the nobility. All that was required was the passage of a private member's bill in the House of Commons.

Around 1860 widespread opposition arose to the continuance of this process. I should not say widespread because opposition had been widespread for six centuries but it was too widely and thinly spread. A few villagers affected by a particular act of enclosure could not effectively make their voices heard in the British parliament — and there was no Country Party.

What I should have said was that widespread, powerful, organised opposition arose among the *upper middle classes in the cities*. I suspect that the romantic movement had something to do with it, although the argument usually put forward was that recreational access to green countryside was essential to the health of the working classes. Opposition to further enclosures was crystallised in the Commons Preservation Society led by gentlemen who constituted a powerful parliamentary lobby.

Their efforts had a first fruit in the Metropolitan Commons Act of 1886 which prohibited any further enclosures within Greater London.

It was a start but it was not immediately effective. Lords of manors within the London area went ahead with enclosures, quoting the Statutes of Merton and Westminster in justification. London citizens responded by unearthing rights of access to and usage of common land that they had exercised for centuries. In a classic test case, 14 London lords (real estate agents to a man) became locked in court battle with the Corporation of London over the right to enclose Epping Forest — and lost.

It is interesting to recall that although the Commons Preservation Society claimed that common land should be preserved for public recreation, that this was for the public good and that the public therefore had an interest in issues of land ownership, the courts of the nineteenth century could not accept this as a pertinent legal argument. The case of Epping Forest was settled essentially on the rights of common users versus those of the manorial lords and it was not until the 20th century that the concept of a general public interest in land usage became established in British law.

We tend to think that conservation pressure groups came into existence in the 1960s. If this had been the case in Great Britain, there would have been precious little left to conserve. The brake was applied by an urban ginger group in the 1860s and the Commons Preservation Society still exists to maintain a watch on the authorities.

I have spoken as though all enclosures were against the public interest. This is not so. Many of the largest areas of unused land in Britain were enclosed long ago by royalty as forests or hunting parks. Thanks to lack of pressure on the royal family to subdivide these for cash, the New Forest and Dartmoor, for example are still in existence. I see a parallel

here with the Commonwealth occupation of North and South Heads (of Sydney Harbour). We may not like some of the shacks that have been erected there, but compared with the shambles of urban development that might have occurred had the land been under state control, these are insignificant. By occupying the areas until we became mature enough to seek a foreshore national park, the Commonwealth has done some service to the state.

There are other parallels between the contemporary scene and the 19th century struggle for the commons. For example, the movement originated in the city rather than among the residents of the countryside under threat. It was powered by the literate middle class rather than by the workers who allegedly needed the open spaces, and the land to be quarrelled over was from the agricultural point of view, waste.

This is the usual situation. The great expanse of Kruger National Park was available because the prevalence of tsetse flies made it useless for cattle. Yellowstone, the first national park to be established was not desirable agricultural land, nor closer to home, was the country now occupied by Royal National, Kuringai or Blue Mountains National Parks.

This is not to say that these areas could not be exploited now by grazing, forestry, mining or urban development but rather that, up to the time of their proclamation as parks they had either been worked over or neglected as being less productive than other available areas.

Yet another parallel, and here between the 19th century in England and the situation in Australia prior to the conservation movement of the 1960s, is that the motivation for the reservation of parklands was public recreation. Wastelands are very suitable for this: you can build roads and tracks through them, put up swings and see-saws, and clear picnic grounds. Often they are agricultural wasteland because of a rocky precipitous landscape, in which case they also provide scenic beauty.

(Extracted from an address titled DIGRESSIONS

FROM A DICTIONARY given to Mosman Parklands and Ashton Park Association, 19 Jun 1976.

Mr Ronald Strahan, MSc, FIS, FRZS, MI (Biol.), FSIH, is Curator of The Australian Museum, Sydney.)

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NOTICE

HENRY GEORGE PHILOSOPHIES

Would any person knowing of the existence of any organisation or body concerned with or interested in teaching or propagating the principles of Henry George, other than "The Henry George Foundation Limited", "The Australian School of Social Science" and "The Association for Good Government" please write to or telephone the undersigned within fourteen (14) days from the date of this advertisement. This advertisement is being placed in connection with an application to the Equity Division of the New South Wales Supreme Court. Roger FitzSimons, C/- Sly & Russell, Solicitors, 68 Pitt Street, Sydney. Telephone 233-6722.

Outline of Monetary Theory

*** FRANK F BILLE

True Credit and True Debt

True Credit is the giving of goods and services in exchange, against a promise of compensation. True Credit is based on a moral code of value: trust. True Debt is the necessary corollary of True Credit. There cannot be the one without the other. True Credit is the primary, positive action; True Debt is the secondary, negative action.

The Promise of Compensation

The promise of compensation is the vehicle of True Credit. It is contingent upon a moral code of value: justice.

Fulfillment of the promise takes place when goods and/or services of an equal value are received as compensation for that which was given on credit. Payment in money is not fulfillment but just another form of promise. The promise can have different forms:

1. Promise without evidence but based on moral obligation alone. Fulfillment depends on Individual Justice.
2. Promise evidenced by a document stating the credit given and the promise received. Fulfillment depends on Individual and Legal Justice.
3. Promise evidenced by MONEY.
To the money holder, money is the evidence of a credit given to the nation and a promise received from the nation.
Fulfillment depends on National Justice.

The Ownership of Money

The money holder who has given True Credit to the nation is abstaining from his interest in the goods and services which he delivered, trusting the promise evidenced by the money. This abstinence or sacrifice of interest is the money holder's contribution to the nation's monetary establishment, and the sacrifice is richly compensated for by the immeasurable advantages and conveniences provided by the universally accepted medium of exchange, MONEY.

The Nation's Money is the evidence of a forever circulating interest-free credit given by an endless succession of people who successively receive the fulfillment while passing on the forever unfulfilled promise evidenced by money.

Because money is the evidence of the Nation's Credit, the nation is the true original owner of the money at the point of issue. The individuals become true owners of money when it is given them in exchange for goods and services rendered to the government.

The nation's true credit as evidenced by the nation's money is the government's true debt because the nation has given the credit to the government with an obligation to supply the nation with money and to regulate the value thereof (Constitution, Art.1, sec.8, par.5). Therefore the nation's total money supply, or circulating media, does constitute a never to

be paid, interest-free loan which the national government will owe to the nation forever. In the true spirit of the United States Constitution, this form of national debt is the only one under which the national government can prudently commit itself (Constitution, Art.1, sec.8, par.2).

The nation's money is given in trust to the national government on the assumption that the government will execute its power to secure justice by preventing injustice.

National Justice

Justice requires that nobody shall receive the evidence of promise under any form of circulating medium without having first given the true credit that is a necessary prerequisite to the promise.

When this necessary national justice is being constantly performed the value of the nation's money is rendered secure against both Inflation and Deflation. National justice is a guarantee of the necessary equilibrium of the credit given and the promise received. Therefore,

National Justice is the true foundation of MONEY and is the only practicable standard of value.

Inflation is the injection of promises not justified by an equivalent of true credit given.

Deflation is the removal of promises, even though the true credit may have been rendered already by somebody else.

The Material Evidence

The credit given and the promise received are evidenced by being engraved, stamped, printed or otherwise attached to a material substance which has the quality that it cannot easily be substituted or counterfeited.

The material substance — such as gold or paper — cannot either add to or subtract from the value of the promise attached to the substance. In such cases as when the promise has become worth less than the intrinsic reclaim value of the substance (as demonstrated by the vanishing American silver dollar) the substance is still not adding to the promise but will simply terminate its function as money material and revert to its original status as a commodity. By doing so, the substance becomes in itself, the fulfillment of the promise (Gresham's Law).

The hoarding of gold and silver under the pretence of safeguarding the value of dollars is therefore about as effective as would be the hiring of a thousand meteorologists under the pretence of procuring fair weather on the fourth of July.

The Quantitative Control of Money

The value of existing promises as evidenced by the total supply of money depends on the production and availability of goods and services. Prices of goods in general are higher or lower depending on the rate of exchange between goods and money.

An increasing population increases the production by an arithmetical progression. A

rising productivity will add to the production by a geometric progression.

The question as to the quantitative control of the money supply is whether the issuance of new money should progress along with the increase of population or in step with the increase of production. The former case can be designated the "Population Standard" and the latter the "Production Standard". If the population standard is applied, the prices will tend to fall because a rising production per person is to be exchanged against an unchanged number of dollars per person. If the production standard is applied, prices will tend to remain stable because the number of dollars is being increased in proportion to the number of economic units produced. Practical and judicious considerations will decide in favour of the population standard, for several reasons:

1. The exact population figure is easily available through the periodical census, whereas it is impossible to compile any reliable statistic on the gross national product (GNP) expressed in terms of standard units of production.
2. If the population standard is applied, all wage earners will automatically receive the increase in real wages caused by the rising general productivity without having their monetary wages increased. The need for constant or periodical pay raises and the resultant work stoppages and strikes will be eliminated thereby. That does not rule out pay raises motivated by advancement from a less appreciated job to a more appreciated job.
3. Savings accounts, life insurance policies and all other investments expressed in terms of dollars would automatically gain in value and it would be possible and worthwhile to save sufficient funds for one's own retirement instead of having to rely on the Welfare State's bankrupt Social Security System.

Economic Balance

If national justice is maintained, no person will gain possession of money without having contributed the equivalent value in goods and services. In charity cases the giver — and in robbery cases the robbed — will have fulfilled that duty on behalf of the recipients.

If national justice is performed, the producers will receive enough money in wages and interest to enable them to buy their own total production in exchange. Production will be stimulated and the general standard of living will rise rapidly, unemployment will be reduced to the technical minimum, and individual freedom will replace the paternalism of the Welfare State.

If the population standard is applied, the wage earner, with the same amount of monetary wages, will be able to buy the usual bagful of groceries for less and less money, so that he can use the surplus to buy the luxuries which the higher productivity has made available.

However, we do not have national justice, nor economic balance. The Welfare State's frantic attempt at balancing the economy by its "War on Poverty" and its ideas of taking from the haves and giving to the have nots is a contradiction in itself because we can not absolve a crime by committing another.

The Fatal Fallacies of False Capitalism

Disregard of natural justice has established customs, beliefs and practices which violate the natural right of ownership. Since the right of ownership is the fundamental and indispensable economic principle, economic balance is disturbed and man-made economic calamities occur which are worse than all natural catastrophes combined.

Monetisation of Fictitious Debt

Not understanding the fact that the true basis for issuance of money is the interest-free credit given by the people to the nation and let in trust to the government, the nation has permitted this valuable asset to be left unused and wasted. Because of the failure of Congress to provide for the nation's money supply, the business of originating money — and the profits therefrom — have become the monopoly of banks, and this monopoly is now, since the year 1913, consolidated in the Federal Reserve System.

The banking system does not give any true credit, it does not produce anything whatsoever fit for human consumption. Yet, it originates bank credit, a fictitious credit, fictitious in the sense that it does not belong to the banks but to the nation. This fictitious credit is made available to both the government and the people as loans against interest. In order to obtain the vitally needed circulating media with which to carry on the nation's business, the government as well as the people must first create a fictitious debt to match the fictitious bank credit. The federal debt is fictitious because the government is *ipso facto*, borrowing its own money from the banks against interest. Thus the businessmen are sacrificing their interest twice, first by the very holding of money instead of goods and services, and secondly by direct payment of interest to the banks.

The nation's money supply can be maintained only by continuous borrowing from the banking system. The borrowing — and the supply of money — are increasing in periods of optimism, causing what is called boom conditions, and decreasing in periods of pessimism causing recession, depression, unemployment and poverty. The money supply is an elastic currency and the deplorable fact is that it is made so on purpose. It is elastic because nobody really claims the true ownership of the nation's credit. If all money were truly in the hands of the individual owners at all times, no such inflation and deflation could possibly take place, and neither optimism nor pessimism could have any influence on the money supply. Our currency is as untrustworthy as would be an elastic yardstick.

Financing of Fictitious Wealth With Fictitious Credit

Furthermore, the borrowing will not take place, and the money cannot be maintained if the would-be borrowers cannot put up sufficient collateral to prove their creditworthiness.

The government is considered creditworthy because Uncle Sam can capitalise the expected tax revenues from future generations of taxpayers in the form of government bonds, and the bonds are offered as securities in exchange for fictitious bank credit.

The same bonds, now in the hands of the banking system, are then used as collateral when the banking system "obtains" paper money marked "Federal Reserve Note" from the National Treasury, practically interest-free.

The citizen is considered especially creditworthy if he owns real estate. A large part of all real estate value consists of raw land value which is the capitalised value of the expected land rent from future generations of land users.

Government bonds and land values are forms of false capital or non-existent wealth. False

capital is capitalised unearned income arising from the monopolisation of the nation's credit and the nation's land rent. When this huge false capital is financed with fictitious bank credit, the inevitable result is inflation.

The increasing cost of bank interest, inflated land rent and inflated taxes combine to cause a slowdown in business, in construction and in employment, in investment and in borrowing, in profits and in tax receipts, in optimism and in creditworthiness, and the old scapegoat the business cycle assumes the downward trend towards deflation, recession and depression.

To counteract this downward trend, the government must start its pump priming by deficit spending, selling more bonds, spending more money on projects which have absolutely no economic justification, increasing socialistic welfare programs and leading us further down the path towards communism.

And all that is required for the forces of evil to triumph is that good men do nothing.

(A pamphlet from UNTAX Service, PO Box 838, Arcadia, California, 91008)

PR The Range Finder of Democracy

*** F H SHARLEY

The function of a voting system is to give the people the representation in Parliament they actually vote for by converting votes into seats in exact proportion to the votes cast.

If one party gets, say, 60 per cent. of the votes, another 30 and another 10 per cent., the voting system should secure them 60, 30, and 10 per cent. of the seats. Failing to do that renders a disservice to the electors, the candidates, and the nation.

As the voting system is the foundation of the Parliamentary structure it should be not merely the duty but a task for every Government to establish and maintain a voting system fair alike to electors, candidates and parties. Needed in South Australia and elsewhere, is an Electoral Ombudsman, for detecting and thwarting efforts made by political parties to make the voting system work for themselves only, instead of serving the people.

There is also a pressing need for the appointment of an Electoral Commission, charged with investigating:

- * The advantages and disadvantages of the present preferential voting system. For instance, there is the moral aspect of compelling people to vote preferentially for every candidate on the ballot paper.

- * The advantages and disadvantages of the first past the post voting system - voting by a cross - which is still in use in Britain.

- * The desirability of adopting the quota-preferential system of proportional representation, with its multi-member electorates, its single transferable vote, its optional preferential voting and election by quota.

Objections to the Single-Member Electorate System

Chief objections to the single-member electorate system are:

It does not ensure majority rule and often, in fact, results in the election of a Government on a minority vote.

It is necessary to obtain only a majority of votes (more than 50%) to secure election.

When two outstanding candidates contest the same electorate only one can be elected, the other then being lost to the State. By contrast in Tasmania, under proportional representation, at one stage the Premier and the Leader of the Opposition represented the same district.

Since we are compelled to vote preferentially for all our candidates, our preferential vote might lead to the election of the candidate we do not want. There is nothing democratic about the arrangement.

Single-member electorates can lead to uncontested seats, thence to public apathy, and finally to political stagnation, as during the Playford era. For instance in 1956 there were 16 uncontested seats. 169,255 electors were deprived of a vote, and of participating in the election of the Government. There was no election in the Frome electorate from 1938 to 1956, and none in the Yorke Peninsula district from 1941 to 1963. Of what use is a vote if electors have to wait 20 years to exercise it? In the Federal district of Port Adelaide, Liberal voters have had no one to represent them in Parliament since Federation. Of what use is a vote to them? They would fare better with multi-member electorates and P.R. voting.

Advantages of Proportional Representation Voting

- . Every seat is contested at every election.

- . No one is compelled to vote preferentially for a candidate they do not want.

- . Voters might please themselves whether or not they cast a preference beyond the first, but are urged to do so.
- . Each party gets all the seats to which it is entitled at every election.
- . Rule by the majority is assured, but with minorities represented in accordance with their voting strength.
- . Electors have a wider choice of candidates, and their choice is not limited to party nominees.
- . More votes are effective under P.R. than under any other system. In the Senate election in 1975, 91 per cent of the electors voted for winning candidates (thanks to P.R.), but in the election for members of the House of Representatives under the single-member electorate system only 56 per cent of the votes were effective. Yet these two elections were held at the same time.
- . Voters have a wider choice of candidates, and in normal circumstances Cabinet Ministers and other outstanding candidates are seldom defeated.

How the P.R. System Works

The P.R. system has two outstanding features which raise it above all other voting systems. The first is that it is only necessary for a candidate to get a certain percentage of votes, instead of a majority, to be elected. That percentage is called the "quota". The quota is found by dividing the total number of formal votes by the number of seats to be filled, plus one, and adding one to the quotient. In a three member district the quota would be one more than one-fourth of the votes; in a five member district it would be one more than one-sixth of the votes, and in a seven member district one more than one-eighth of the votes, and so on.

The other outstanding feature of P.R. is the single transferable vote. This enables a vote to be transferred to another candidate if the elector's first choice has already been elected by obtaining the quota, or, through the lack of sufficient support, has no opportunity of being elected.

There are really only two classes of votes, the useful and the useless. A useful vote helps to elect someone, a useless one does not, and has no value. Under the single-member electorate system many thousands of votes are wasted in State elections on the mainland, and hundreds of thousands in Federal elections. P.R. would turn most of them into useful votes, as it does in Tasmania.

P.R. in Tasmania

Tasmania has used P.R. voting and multiple electorates for House of Assembly elections since 1907. The five Federal electorates each return seven members. At the 1972 elections, hoping to win at least four of the seven seats, the Labour and Liberal parties nominated seven or eight candidates in each electorate. A minor party (United Tasmania Group) contested four districts, and there were several Independents. The number of candidates in each electorate ranged from 18 to 25, and averaged 20. From

that big field the people got the Parliament they actually voted for, namely, 21 Labour and 14 Liberal members. Result of the election was known within two days. Tasmanians understand and appreciate P.R. voting. They don't need How to Vote cards. They make their own selections. We should all do likewise here.

Age of Precision

The P.R. voting system was invented in 1857 by Thomas Hare, an English barrister. He was concerned because minorities were not represented in Parliament. He eventually discovered how it could be arranged.

This is the Age of Precision. We use precision instruments for a great variety of purposes, especially for weapons of destruction. Thomas Hare's invention was designed for the advancement of mankind, not for its destruction. It works so well that it has been called the Rangefinder of Democracy. That is exactly what it is.

After years of experience with P.R. in Tasmania a Chief Electoral officer said: "It is a sort of special Providence, automatically distributing votes until at last the full, fair strength of a party is properly determined." He should know.

Some day, perhaps, and it may be soon, inventions for the benefit of mankind will be adopted with space age speed, instead of being dragged along for a hundred years or so, particularly any ideas designed to improve electoral procedure. Democracy, now on trial in many countries, might then have an opportunity of survival.

Electoral justice is democracy's greatest need. It can only be attained through P.R.

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FROM OUR NEW ZEALAND CORRESPONDENT

OUR LOCAL BODIES continue with their campaign for "additional sources of revenue other than rates". Both the Municipal and the Counties associations have issued a dodger for inclusion with the rate demands; it amounts to little more than a request to put pressure on the local Member of Parliament. "Discussion makes it hard for major matters to be ignored".

No doubt you have heard the same sad story - the plight of the poor home-owner. To lighten his burden a share of the income tax is suggested, sales taxes are mooted, citizen taxes, and the like. All these devices have but one aim - to shift the burden from the site-owners on the "golden miles" to the people living in rented quarters.

It reflects little credit on the practitioners of local government that such schemes are put forward with such an air of sincerity. The mayors of our principal cities can usually be depended on to climb on the band wagon. But surely these people know that the central government has no money that it doesn't first get from the local people? The suggestion is made that only property owners pay rates. They must know that the rates are collected in the rents the tenants pay.

That it would be desirable to have the

tenant know what rates he actually pays is beyond doubt. But that is a different matter. Rates form such a small part of the total taxation paid by the individual that it is not taken into account. Collect all taxation locally and unimproved value rating would come into its own. If the central government were denied the power of commodity taxation and of collecting taxes directly from the individual only one system of taxation would be tolerated-unimproved values.

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Differential rating is taking on. Most municipalities are coming to the opinion that the residential home owners are paying too much and the commercial areas and flats and the like are getting off too cheap. In Matamata, a town of just over 5,000 population, the city fathers have decided on eight categories. Category I, for example, Residential (including Rural, Halls, Sporting and Cultural Amenities,) pays the basic general rate. Category VIII, Commercial Use (not necessarily Commercial Zone, but including land used for retailing, professional offices, hotels, motels, motor garages, ...vacant land etc.) pay the basic rate plus 100 per cent.

Of course the system is a departure from the principle behind unimproved values, but the fact is that unimproved values do not meet modern needs. It is not that unimproved values in themselves are defective, but that not enough of our total taxation is collected by the system. The truth is that you cannot have two systems operating together whose basic principles are totally opposed to each other.

The time has come for us to come out with a full-scale single-tax programme dealing with the problems faced by democracy when the skids are under it. Let us be practical. Let us offer our customers, the ordinary people, something concrete, rather than another helping of economic superstition. Mirabeau, one of the characters of the French Revolution, said that "In the last analysis the people will judge the Revolution by one consideration, and only one; will it put more money into their pockets, or less? Will they be able to live more easily, will they have more work, or better wages".

A thorough overhaul of our thinking is called for. We have little time left - Revolution is on the doorstep.

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FLYING TRACTORS ?

The Public Accounts Committee has criticised the purchase by the Defence Department of 61 tractors for \$908,963.

The tractors were bought to be carried in Caribou aircraft, but months after their purchase it was found that they were too large to fit into the planes. ***

BUYING THE BEACH

In October, a block of land with a harbour beach frontage at Double Bay sold for \$270,000. The area of the land is about 0.2 hectare (half an acre) situated in one of Sydney's most fashionable suburbs. ***

Letters...

RICARDO, RENT, REVENUE, THE REAL QUESTION.

Sir - I am surprised at the ill-logic of your statement (Good Government, February) that "Ricardo's Law seems to suggest that non-use, or non-productive use of a site might exempt the holder from paying on account of there being no product and no Surplus Product".

Ricardo's Law explains how rent is determined and nothing else. It does not suggest anything, any more than the Law of Gravity suggests anything. It is for others to suggest whether rent, as so defined or described, is the true fund from which revenue should be drawn or whether a rental should be paid for the exclusive use of all sites whether productive or not.

It must be remembered, however, that productive land above the margin yields rent, whereas non-productive land does not yield rent. Whether or not both should pay a rental to the community is another question. However, there is one thing that is certain - whatever is the tax base, be it land or lollipops, the source of all revenue is production.

LIONEL BOORMAN EASTWOOD, NSW.

* Ah yes, the margin reveals the key to the problem, for it is the productive potential of land at the margin which determines the level of wages. The margin as defined by Henry George is "the highest point of natural productiveness to which labour is free to apply itself without the payment of rent."

Any factor which lowers the margin unnecessarily, lowers wages as a consequence, and causes poverty when carried far enough. Our assertion in the February edition, with which you take issue, was only part of a more extensive argument from the August edition.

The real question which concerns us as it did Henry George, is: How to be rid of poverty? We agree that the surplus product is the true natural revenue of the state, however it seems that the collecting by the state of this proper revenue will not rid us of poverty because it does nothing to encourage the full use of unused and under-used land within the margin. Every piece of unused or under-used land which is superior to marginal land, further depresses the margin, thus depressing the level of wages, and increases poverty. The answer to the real question of poverty then, is that all landholders must pay the annual rental value of their sites into public revenue. The rental value would very closely approximate to the imputed surplus product of the site regardless of whether the holder chooses to produce anything or not. EDITOR.

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REMOVE LEGAL PRIVILEGE

Sir -- There is widespread dissatisfaction with policies which have brought us to the verge of bankruptcy through inflation, currency crises, unemployment, decreasing productivity and growth of privileges enjoyed by monopoly pressure groups.

Purchasing power will increase only: if personal disposable incomes are increased by

reducing income tax, which stifles and penalises individual efforts and productivity;

if the cost of production is reduced, by lowering the cost of land and by removing restrictive monopoly practices from the supply of both goods and services;

if the interest of the individual consumer is made the central consideration of the economy, instead of the interests of the supplier pressure groups which dominate economic policies.

Inflation, unemployment and other economic crises cannot be cured until productivity is encouraged to increase and costs are reduced, government manipulation is eliminated, government expenditure is reduced and welfare payments are limited to the non-politically quantified public fund.

Neither poverty nor social injustice can be eliminated by simplistic income redistribution which robs the productive "have-mores" in order to give to the unproductive "have-less".

What is needed is the removal of legal privileges and monopolies, reduction in inequality of opportunity, and the substitution of land rental taxation for taxes on labour and industry, on goods and earnings.

L F BAWDEN Melbourne
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NATURAL LAW

Sir -- I have read with great interest the 1976 Anniversary Address by Mr E B Donohue. Contained in it is a challenge to other Georgists that we have fallen down in our progress of the adoption of Henry George's reform and the greatness of his discovery. Now I share this also to a degree and I maintain that on page 6 paragraph 1 Mr Donohue has fallen into a mistake in calling it Georgist theory. This to me is one of the greatest errors that can be made in the promoting of this cause. What George discovered was a Natural Law of the Universe, embodied in the Creation in just the same way as $2 + 2 = 4$, or $3\frac{1}{2}$ times the diameter gives the circle. Apples falling on Newton's head touched off his discovery of the Natural Law of gravitation, not a theory of Newton's but a Natural Law embodied also in Creation.

I personally would like to see this cause included under the heading of Natural Law, as that is truly what it is. We are of course most fortunate to have had George alert us, but we as an organisation want to base it on the Law in Creation that it is and so put it at the highest level. No one can argue against Natural Law as there is no higher level of this planet.

Believing as I do that the Universe is governed by Natural Law it is our duty to recognise this Law as George did, live in accordance with it and at all times to use the Law of Rent as the *Great Natural Fund* for government.

George was the last person in my opinion to want praise; he was only concerned with helping mankind by working in accordance with this Natural Law which he discovered is greater than man.

Hoping that what I have written is to help

this great movement that we are so vitally interested in -- not to condemn or to criticise but to be constructive. We in Kimba are busy with collecting funds (\$1400 to date) to stand a candidate at the next senate election. Mr George Jukes of Port Lincoln is to be the candidate. We feel that this is the best way to help the cause, so time only will tell whether it has been worthwhile or not.

Wishing you all of Sydney the best for the future as Australia sure needs reform.

(Mrs) BETSY J HARRIS Kimba SA
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VIEWPOINT ON SECURITY OF TENURE

Sir -- The management of national economies today rests heavily on a false and deeply implanted notion the rectification of which will go further towards the creating of employment opportunities and towards controlling inflation than any other idea.

The false notion is that land is NOT provided for the equal enjoyment of all of us and except where the natural perceptions are influenced by habitual acceptance, the falsity is clear.

But because of this blind acceptance in the westernised societies, land is monopolised by the more affluent sections and to the detriment of the less fortunate. While this persists large numbers are condemned to a wage slavery condition that can be little better than that of chattel slavery.

The denial of man's equality of birthright is rarely referred to in any current discussion of those twin scourges -- inflation and unemployment; and in every discussion where the point MIGHT be raised, there comes an almost deliberate confusing of land -- which is the source on which all production is based -- with the products that result when labour provided by the community is applied to it.

A switch in our thinking is required so that security in occupancy rights, the common ownership of the community-created site rents and the individual ownership of the goods and services that we produce can be all properly differentiated.

Then it will be seen that by using the site rents for public revenues, equal enjoyment of land usage can be secured and by not taxing our goods and earnings, all costs and prices can be brought down.

This is the way to end inflation, unemployment and injustice while ensuring security of tenure for every landholder.

M PINCOMBE Melbourne

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* The Times, Waikato, New Zealand, 13 October 76
IS THERE SUCH A DIFFERENCE BETWEEN MAORI AND PAKEHA?

Sir -- Is there really such a difference between Maori and pakeha land laws as Mr Ferguson (24 September) would have us believe?

If the pakeha (white man) does not see himself as a visitor on this earth, surely nature sees to it that he is. Does not the Bible say -- You are but sojourners with me!

The truth is that neither Maori nor pakeha can "own" land. And for the very simple reason

that neither Maori nor pakeha made it. Land is the free gift of God, or nature; neither He nor it makes any charge for it.

Land itself has no value. Land was here before man appeared on the scene and will be here long after he disappears.

It is human labour that gives land a value. Man is the agent that produces wealth. But man will not sow unless he is assured of reaping. The purpose of a land title is to give him that assurance and the freehold title is the best means to that end.

The Maoris had no need of a title for the individual, but it is interesting to speculate on what might have happened had they devised one. Would the pakehas have gained a foothold in New Zealand?

It is a mistake to think that titles allow land to be treated as a commodity, or that they are a means of robbing the producer of his production. Many of the old Liberals maintained that the failure of the Liberal Government of 1891-1912 was brought about "by giving the freehold to the farmer". They were quite mistaken. Eight years before the Liberals were defeated, a high-ranking official of the Labour Department told Mr Seddon that it was not the boss nor the worker who was the lasting beneficiary of the Liberals' humanitarian legislation, but the "non-producing owner of city and suburban property".

Today we have Mr Seddon's successor, Mr Muldoon, wrestling with the same problem, and there is not the slightest reason for thinking that he will be any more successful than Mr Seddon.

Socialists, and many who are not socialists, who see clearly enough that the individual cannot "own" land, get out of the difficulty by saying that "the land belongs to the people." But the people no more own the land than does the individual. And for the same reason — the people didn't make it. A people can only hold a country so long as they have the military resources to defeat any foreign power that would attempt to overpower them.

Though man is the agent that produces wealth, working alone he produces but little, and that little would disappear with his death. Men organise themselves into political societies for common safety and to secure the benefits of combination. Without these community services life would be, in the words of Hobbes, "solitary, poor, nasty and brutish."

If government, the agent of the community, would collect in full the value of these community services, they would be sufficient for the legitimate functions of government. There would be no need for taxes on goods with all their frustrations. Once governments tax goods they create more and more jobs for "useless workers", people working hard enough but making no contribution to the economic well-being.

The urgent need of both Maori and pakeha is an overhaul of the machinery; it is robbing both unmercifully.

H T A McGAHAN

Matamata, NZ

* The Australian, 28 December 76.

'NAIVE' CURE FOR INFLATION

Sir — Mr H Levien's alternative cure for inflation (22 December) is naive and he shows that he has not learned the lesson of the Whitlam experiment from 1972 to '75, and he also mixes inflation and unemployment without showing any sign of understanding the separate causes.

The factors influencing a nation's economy are immensely complex, but two mechanisms are clear-cut.

Mr Levien is not alone in thinking that government spending solves the problem of slumps. Even economists believed this until recently. What is not understood is that inflation is the price paid sooner or later. Governments have to balance their books, odd as it may seem. Failure to do so implies either "printing" of extra money or a need for borrowing. Raising the money supply simply means the same quantity of goods is available for more money, and the price goes up on average by the amount the supply of money is increased; in other words inflation.

Borrowing by the government means removing an equivalent amount of spending from the private sector. Overseas borrowing only postpones the payment and does not solve the problem — in fact, it adds an interest payment which increases the long-term problem.

Mr Levien talks interchangeably about inflation and unemployment. The Whitlam Government gave Australian consumption an almighty boost of just the type being advocated via wage rises, it put millions of dollars of extra spending money in the pockets of people who are essentially consumers and not savers. This caused a massive consumption spree for a fixed supply of goods, so the price of goods rose. At the same time the cost of production went through the roof, causing a reduction in investment for future production. This in turn further restricted the supply of future goods.

In the final analysis unemployment was caused by labor pricing itself out of the market — nothing more, nothing less. The greatest cause of unemployment now is government and union intervention to set minimum prices for labor, no matter how uneconomic that labor is. If costs are uncontrolled, then prices can rise to a point to offset that cost, but then imports become cheaper and we are back to tariffs and unrealistic prices by world standards. Our motor vehicle prices are a good example of this.

If prices are artificially pegged then inflation is held back temporarily, but since profits are now less, progressively more production becomes uneconomic and stops, causing a compensating fall in the supply. Sooner or later, the price must rise, or production ceases.

All of this proves that intervention by governments is more likely to be disastrous than beneficial for an economy. Only a market free of artificial boosts and restraints can continually and automatically regulate itself in an optimum way.

Dr D P DANES

Orange NSW

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* Sydney Morning Herald, 18 December 1976.

RESTORING THE MILK BALANCE

Sir -- If the subject matter of Mr Jack Eggert's letter from the Dairy Farmers' Association were as impeccable as its construction, it could well be unanswerable (Herald, 6 December).

However, such is not the case. Mr Eggert speaks only for a slight majority of farmers privileged by legislation to supply 98 per cent of the milk required by Sydney and the other large centres of population.

It is unbelievable that this mediaeval practice exists of allowing only "privileged" dairy farmers access to this trade, while the "outside" farmer languishes and disappears, producing milk for manufacturing purposes at less than one-third of the price received by the "protected" farmers.

In no other industry, either primary, secondary or service does this incredible political patronage exist, and one can readily imagine the furor if it did.

Mr Eggert complains about confiscation of quota without compensation. He conveniently forgets that the "protected" farmers have systematically robbed the "outsiders" over the years. Mr Eggert shows commendable knowledge of King Charles I, but is lamentably uninformed about his own industry's recent history. So I will refresh his memory.

The "outsider" farmers of the Macleay once sold their milk in Port Macquarie. They were given a fortnight's notice by the Milk Board to vacate and hand their vending rights to the "protected" dairymen. No compensation was paid.

The same farmers had a liquid milk trade in Armidale. This was also peremptorily confiscated. No compensation was paid.

Another group of farmers from the Bellinger River had developed a trade in Inverell. This again was confiscated and handed to the "privileged" farmers. Again no compensation was paid.

The "outsiders" came to the rescue when Sydney's milk was drastically rationed and for five years sent supplies to alleviate this position. We were then discarded and no quotas were issued.

This list of injustices by Mr Eggert's robber barons is endless. After 25 years of constant agitation, culminating in North Coast farmers giving milk away in Sydney, the Liberal-Country Party Government reluctantly introduced the Dairy Industry Authority Act: legislation which purported to correct in some slight measure the abuses attached to the Milk Act.

The result was that the "outsiders" received an allocation of three gallons per dairyman per day into Sydney, later reduced to two gallons, while the privileged class increased their quota by a massive 32 gallons per farmer per day after six years of the new legislation.

R H PAXTON

Raleigh, NSW

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+++++Congratulations to Mr Paxton on this excellent letter concerning government privilege. He quite rightly complains of the injustice of this milk quota law, which gives undeserved

privilege to some able-bodied people at the expense of the rest of the community, with threat of police action if the disadvantaged seek to trespass on the privilege. The milk quota is only one form of injustice legislated by bad government. Unfortunately our democracy continually fails by electing bad governments because candidates promise to extend privileges to many groups. This in effect allows economic advantage to some, which really means stealing, since there must be an accompanying cost to others.

However the amount of privilege involved with the titles to milk quotas is small compared with the injustice involved in the titles to site holding. The maldistribution in the holding of sites is the grossest injustice in the community and is the cause of undeserved riches for some, and undeserved poverty for others, many of whom are able-bodied. There is no virtue in the holding of privileges; it is unproductive and lowers the general living standard. The injustice of the privilege of site holding can be removed by steadily increasing taxes on site value, which will also allow the removal of other taxes such as sales and income tax which depress the economy.

S S GILCHRIST

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(continued from page 3)

that the views of people whose support leads to the election of independent senators would be considered in the filling of casual vacancies arising from the death or resignation of these senators.

While the present constitutional provision is unsatisfactory, it is less restrictive than the proposed amendment. Under the existing provision, it would be possible for the Federal Parliament to amend the Electoral Act to require the retention of the ballot papers after each senate election and to instruct the Electoral Officer, in the event of a casual vacancy, to re-examine the papers forming the quota of the vacating senator to find the next choice of the voters concerned, and to inform the parliament of the state concerned of the result.

The state parliament would not be obliged to accept the advice of the Commonwealth Electoral Officer but there would be very strong moral pressure to do so.

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