

# Good Government

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## Viewpoint

### CENTENARY OF 'PROGRESS AND POVERTY'

It was a significant and stimulating experience to have lectures, sponsored by the Australian School of Social Science, delivered in the Department of Economics of the University of Sydney in recognition of the Centenary. The lectures were given on 26th June 1979 by Professor P D Groenewegen, Professor of Economics in the University of Sydney, and Dr D L Clark, Senior Lecturer in Economics in the University of New South Wales.

The unique nature of this event lies in the prospect it opens of having Henry George's works seriously examined in academic circles instead of being ignored or treated with superficial condescension. This is a goal worth pursuing with enthusiasm in this centenary year, when its possibilities have been opened by the initiative of the lecturers and the members of the School.

Academic economics has dallied too long with a succession of sophisticated hypotheses based on state intervention in the economy during which the incidence of social discord and strife has grown enormously. By contrast, George's great proposals, arising out of the equal rights of all in the use of the earth and the appropriation of the economic rent of land instead of destructive taxation for public use, have consistently indicated the only way to social harmony and enrichment.

One reason why these proposals have not received the recognition they deserve has been the failure, both in academic and lay circles, to read *Progress and Poverty* with assiduity and

perception. George pointed out several times in the course of his lecture tours that he had never been confronted with an objection that had not been answered in advance in the book itself and, doubtless, it was a major disappointment to him to realize that the research and care, that had gone into the writing of the book, were not widely reciprocated in the efforts given to understanding the strength of its logic and the marvellous simplicity of its discoveries.

Whether there is a type of conditioned mind that could find scientific satisfaction in, for example, the mass of superficial detail of *Das Kapital* whilst passing over the fundamentals dealt with in *Progress and Poverty*, the facts indicate that a comparative handful of people had sufficient insight and dedication to master the philosophy of freedom with which *Progress and Poverty* is identified. Such people were, at various times, inspired to pass on their knowledge through associations, clubs, study circles and schools and such persistence has led to particular opportunities arising occasionally. The present challenge represents one such opportunity in which the enlightenment started by George could be projected into what has been regarded as the traditionally closed area of academic consideration. It is worth recalling what George himself had to say about this area when he addressed the faculty and students of the University of California:-

"The name of political economy has been constantly invoked against every effort of the working classes to increase their wages or decrease their hours of labour.

#### 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.

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

What can we expect when hands that should offer bread thus hold out a stone? Is it in human nature the the masses of men, vaguely but keenly conscious of the injustice of existing social conditions, feeling that they are somehow cramped and hurt, without knowing what cramps and hurts them, should welcome truth in this partial form; that they should take to a science which, as it is presented to them, seems but to justify injustice, to canonise selfishness by throwing around it the halo of utility, and to present Herod rather than Vincent de Paul as the typical benefactor of humanity? Is it to be wondered at that they should turn in their ignorance to the absurdities of protection and the crazy theories generally designated by the name of socialism?

For the study of political economy you need no special knowledge, no extensive library, no costly laboratory. You do not even need text-books nor teachers, if you will but think for yourselves. All that you need is care in reducing complex phenomena to their elements, in distinguishing the essential from the accidental, and in applying the simple laws of human action with which you are familiar. Take nobody's opinion for granted; 'try all things: hold fast that which is good'. In this way, the opinions of others will help you by their suggestions, elucidations and corrections; otherwise they will be to you but as words to a parrot....All this array of professors, all this paraphernalia of learning, cannot educate a man. They can but help him to educate himself. Here you may obtain the tools; but they will be useful only to him who can use them. A monkey with a microscope, a mule packing a library, are fit emblems of the men — and unfortunately they are plenty — who pass through the whole educational machinery, and come out but learned fools, crammed with knowledge which they cannot use — all the more pitiable, all the more contemptible, all the more in the way of real progress, because they pass, with themselves and others, as educated men."

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## FACTS VERSUS FICTION

### THE TRANS-AUSTRALIAN RAILWAY

By E J CRAIGIE

During the year 1940 when the Social Credit doctrine, sponsored by Major Douglas, had some support, we published a pamphlet, *Costless Credit*, dealing with a number of the erroneous statements made by Social Crediters at that time. They claimed that the Guernsey Market and the East-West Railway were outstanding examples showing how public works could be constructed from what they were pleased to call 'Costless Credit'. It was claimed that these works were constructed without recourse to loans and without the payment of any interest; and there was no reason why all public works should not be

provided in similar manner, thus relieving taxpayers of the burden of interest now paid on loan funds.

Such fairy tales were and are at present accepted by a number of people—including politicians—who are too tired to study financial and economic problems. Hence we hear them urging the nationalisation of the Banks as a means of getting control of sufficient 'money', so that all public works may be financed without taxation or recourse to the loan market.

As this superstition has friends, and with Federal election looming in the near future, we are again hearing about how the Trans-Australian Railway line was built from the profit made on the Note Issue. Because of this we think the time opportune to reiterate the facts relating to that Line, and to bring the record of Interest and Sinking Fund payments up to date. Here are the official facts.

The Kalgoorlie to Port Augusta Railway was constructed under Act No.7 of 1911. Clause 20 of that Act provided: 'All moneys necessary for the payment of the cost of construction of the railway up to and including the time of opening of the railway for traffic shall be payable out of the Consolidated Revenue Fund or out of any moneys standing to the Credit of the Loan Fund, according to appropriations made by Parliament for that purpose.' The total cost of the railway was £8,470,000. Of this amount £1,286,000 was taken from revenue, and £6,644,000 from the Works Loan Fund. Of the amount provided from the Works Loan Fund, approximately £5,300,000 was borrowed from the Australian Notes Fund, the balance being borrowed partly from Commonwealth Funds and partly from the public. The greater portion of the Notes Fund loaned to the Treasurer for this purpose represented profits derived from interest on investments.

When one hears advocates of Social Credit stating that no loan funds were used in connection with the building of the Trans-Railway, it is well to direct their attention to fact that in no less than six Loan Bills passed from 1911 to 1917, amounts were specifically mentioned as to be used in connection with the Kalgoorlie to Port Augusta Railway. The amounts were as following:

Loan	Act 24	of 1911	£ 1,000,000
"	Act 22	" 1912	304,581
"	Act 24	" 1913	1,400,000
"	Act 30	" 1914	2,000,000
"	Act 25	" 1915	1,500,000
"	Act 30	" 1917	622,000

Total Loans £ 6,826,581

#### EXPENSIVE CREDIT

Further information is available that this sum was not 'costless credit'. An examination of the official Budget papers issued by the Commonwealth Government, reveals that Interest

and sinking Fund was paid out of the revenue from the railway, the amounts being shown below.

#### FOR TRANS-AUSTRALIAN RAILWAY

Year	Amount Interest Paid	Amount Sinking Fund
1920-21	—	£11,677
1921-22	—	11,677
1922-23 .. ..	£102,099 .. ..	13,201
1923-24 .. ..	103,397 .. ..	11,605
1924-25 .. ..	108,044 .. ..	11,804
1925-26 .. ..	113,380 .. ..	12,213
1926-27 .. ..	117,447 .. ..	12,722
1927-28 .. ..	119,152 .. ..	13,034
1928-29 .. ..	122,453 .. ..	13,195
1929-30 .. ..	126,898 .. ..	13,690
1930-31 .. ..	127,830 .. ..	12,647
1931-32 .. ..	126,033 .. ..	14,534
1932-33 .. ..	114,438 .. ..	15,261
1933-34 .. ..	104,439 .. ..	16,025
1934-35 .. ..	101,134 .. ..	16,826
1935-36 .. ..	103,982 .. ..	18,455
1936-37 .. ..	112,517 .. ..	20,760
1937-38 .. ..	110,863 .. ..	21,904
1938-39 .. ..	116,290 .. ..	22,999
1939-40 .. ..	120,329 .. ..	24,149
1940-41 .. ..	119,038 .. ..	25,356
1941-42 .. ..	118,057 .. ..	26,614
1942-43 .. ..	117,050 .. ..	27,945
1943-44 .. ..	116,579 .. ..	29,335
1944-45 .. ..	114,144 .. ..	30,798
1945-46 .. ..	111,043 .. ..	32,338
1946-47 .. ..	110,029 .. ..	34,005
1947-48 .. ..	108,611 .. ..	35,704
1948-49 .. ..	107,743 .. ..	37,481
1949-50 .. ..	104,435 .. ..	39,352
1950-51 .. ..	103,940 .. ..	41,319
1951-52 .. ..	102,708 .. ..	43,384
1952-53 .. ..	102,140 .. ..	45,553
Totals	£3,486,350 Interest	£757,562 Redemption

With great respect we ask our Social Credit friends whether it is usual to have interest and sinking fund associated with 'Costless Credit'. To those of us who have not yet grasped the intricacies in the magical system of finance known as Social Credit, it does not come as a surprise to know that the above interest and sinking fund payments were made, as they are usually associated with ordinary public finance.

It will be noted that during the thirty-three years which relate to the Trans-Australian Railway line, the sum of £3,486,350 has been paid as Interest, and £757,562 set aside as a Sinking Fund to redeem the borrowed funds. The payment of this huge sum in Interest represents no less than 41.16% of the original cost of the railway. If this is 'Costless Credit', it appears very similar to the finance methods condemned as unsound by Social Crediters.

#### HOW NOTE ISSUE IS WORKED

Admitting that it is possible to pay for some

public works out of the profits made on the Australian Note Issue, we stress the fact that such payments must necessarily be very limited. The Note Issue cannot be utilised to an unlimited extent to pay for social services. The fact is the Note Issue Department is something distinct and separate from the other operations of the Commonwealth Bank. It is not generally known how a profit is made by the Note Issue Department, so a little information on that point will be of interest.

Before the Trading Banks can secure notes from the Note Issue Dept of the Commonwealth Bank, they must lodge with that Department either gold, sterling or securities. Naturally, as those securities earn interest, it is not likely that a bank will give securities and forego the interest by taking more notes than are actually required for their business purposes. Further, a fact not generally known is that the Commonwealth Bank, like the Trading Banks, must lodge securities with its Note Issue Department before it can get Notes for trading purposes, or making loans. The Note Issue Department makes its profit on the securities lodged with it and also on sterling, as the latter can be invested in short-dated Treasury Bills and earn interest — although at a low rate.

The profit made by the Note Issue Department for the year ended June 30, 1953 was £4,860,481 — a record one because the note issue that year was £328,667,859, owing to the inflationary period we are passing through.

#### WAR FINANCE BOOSTS C.O.L.

The popular superstition is that just as we use the Note Issue to finance wars, we should also use it to provide the ordinary needs of the community. Hence the frequent demands made for an inflation of the Note Issue by people who have little knowledge of finance. These people are, apparently, not aware of the effect of an inflationary note issue upon the general level of prices. If we take the two war periods we find that from 1914 to 1919 the index figures for food, clothing and housing rose from £687 to £1022, and from £920 in 1939 to £1126 in 1945.

#### WAR FINANCE CRIPPLES WAGES

It is of interest to note the effect of this rise in prices in relation to the wages question. Taking the weighted average of index figures as £1000 in 1911, and tracing them through to 1952 (December) this is what we find:

Year	Nominal wage	Real wages (adult male)
1911	£1,000	£1,000
1914	1,081	948
1921	1,826	1,087
1939	1,846	1,210
1945	2,339	1,252
1952	5,428	1,458

These figures taken from official records show that owing to the inflation we have indulged in, the workers have received as *nominal* wages, a rise of approximately 450% since 1911, but their *real* wages as expressed in the food, clothing and housing they could obtain for their money tokens was only an approximate increase of 50%.

#### MONEY IS A TRICK WORD

Those who favour the frenzied finance policy of inflation overlook the true function of money. They fail to see that mankind does not live on 'money', also that 'money' is not needed for wealth production. The factors in production are land, labour and capital. It is only *after* production has taken place that money is needed as a labour-saving device to facilitate the exchange of the wealth produced.

When this fact is realised we shall hear less about the nationalisation of banks so that the Note Issue may be inflated. Wealth producers will then realise they are not exploited by banks, but by the laws which they have assisted in placing upon the Statute Books. They have given support to a taxation policy which robs them by direct and indirect methods from the cradle to the grave. They have graciously, but foolishly, allowed community produced land values to flow into private pockets instead of taking them into the public treasury. There is only one way to establish just conditions and that is by abolishing the tax burden placed upon industry and taking land values into the public treasury to defray the cost of government.

Action along this line will produce practical benefits, restore to all people the heritage that has been filched from them, secure to them the full results of their labour, and quieten for all time those Social Crediters, no doubt honest in their intentions, who propagate the fantastic doctrine that all money 'comes out of the inkpot', therefore social services should be provided without the flotation of loans or the payment of interest.

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## TOLSTOY AND HENRY GEORGE

By ARTHUR TOLSTYAKOV

(From *Soviet Life*, a Soviet English-language magazine. Thanks to Mildred J Loomis.)

Among the portraits on the walls of Tolstoy's study in Yasnaya Polyana are those of three Americans: William Lloyd Garrison, Henry George and Ernest Crosby.

'I was ill for a week and immersed myself in Henry George's latest book, and also in his first, *Progress and Poverty*, which produced a very strong and gratifying impression on me,' Tolstoy wrote to his friend and follower Vladimir Tchertkoff in February 1885. 'I have asked someone to get me his address and intend to write him a letter. I see a brother in him,

one of those whom, according to the teachings of the apostles, you love more than your own soul.'

Such was the impression made on Tolstoy by his first acquaintance with the ideas of the American publicist and economist. The 'latest book' he mentioned was *Social Problems*.

What attracted Tolstoy to George's books was, first and foremost, the social-ethical problems posed in them. He considered the abolition of 'land slavery' the most important mission of the day. 'Ownership of land is as illegal,' he said, 'as ownership of souls. He who has hold on the source of food, holds the have-nots in dependence. So much time will be needed for this idea to sink into the public consciousness. I did not understand this myself for 20 years. Henry George has been making everything so clear for nigh on 30 years, and yet nobody seems to have heard of him'....

George cherished Tolstoy's approval. On leaving for Europe, he wrote to Tolstoy, requesting permission to pay him a visit in Yasnaya Polyana. Tolstoy replied: 'Your letter afforded me great pleasure because I have known and liked you for a long time... I am still more delighted to know that I may be seeing you...' However, they were not destined to meet in Yasnaya Polyana, for in 1897 Henry George passed away. On learning of his death Tolstoy wrote to his wife: 'This death has stricken me as would that of a very close friend.'

When working on *Resurrection*, Tolstoy wrote in his diary: 'Nekhludov must be made a follower of Henry George'... In 1894 he had written to Ernest Crosby: 'Had the new czar (Nicholas II) asked me for advice, I would tell him to employ his unlimited power to abolish land ownership in Russia and introduce a single tax system, and then abdicate and give the people free administration.'

With the rise of the revolutionary movement in Russia the land issue loomed ever larger. In 1905 during the first Russian revolution, Tolstoy's articles appeared... They were virtually a public defense of Henry George's program. Though Tolstoy realized the futility of convincing the czar and his government of the necessity of abolishing land ownership, he wrote letters about this to the czar's relative Grand Prince Nikolai Mikhailovich and Prime Minister Pyotr Stolypin. But he invariably received the same reply: George's theory was 'inapplicable'. Tolstoy's attempt to pose the question in the State Duma was similarly unsuccessful.

'The implementation of Henry George's premises,' Tolstoy wrote in March 1909, 'i.e., the liberation of the land ... is needed in our time as much as the liberation of people from slavery in America, and Russia was needed 50 years ago...'

(From 'The Georgist Journal'  
New York, No.22 Winter 1979)

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## CENTENARY OF 'PROGRESS AND POVERTY'

### AUSTRALIAN NATIONAL CONFERENCE

SYDNEY, 20th and 21st OCTOBER 1979

Saturday, 20th, at Terrey Hills:

2.30pm.

REPORT FROM SAN FRANCISCO, by S S Gilchrist  
and film 'For The Land Is Mine'

7pm. CENTENARY PAPER, by Allan R Hutchinson

Sunday, 21st, at 28 East Parade, Eastwood  
(near Eastwood Station, at the corner of  
Second Avenue), as the guests of Mr and Mrs  
Lionel Boorman:

3pm. FESTIVAL CELEBRATION OF THE CENTENARY  
a social hour, for all old and new friends

6pm. FESTIVAL TEA

7pm. FINAL SESSION: SPEAKERS:

Mrs Ivy Akeroyd and Arthur Dowe  
Toasts. Georgist songs. Discussion.

Accommodation and meals available at  
Terrey Hills. Residence, including meals:  
\$5 per day. Meals only \$2 each.

Please NOTIFY as soon as possible. Phone:  
(02) 750-9110 759-1120. Terrey Hills 450-1541

ALL WELCOME

INTERSTATE AND COUNTRY FRIENDS ESPECIALLY

## A BOOK UNDIMMED BY TIME

PROGRESS AND POVERTY By HENRY GEORGE

How truly great this gift from Henry George  
who from the heights of intellect beheld  
the order, which our warring world could weld,  
in harmony transcending mortal plan.  
Order Supreme and Incorruptible.  
The order which in clear beneficence  
exemplifies divine intent to man.

I.A.A.

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## IDA AUGUSTA BUTLER

It is sad to record that another Georgist, Ida  
Augusta Butler—affectionately known as Ida—  
has passed away.

In the years of her activity her cooperation  
in all fields of local endeavour, was a source  
of strength to her associates.

In portraying various aspects of George's  
teaching her excellent photography—both still  
and moving—was and is a unique achievement  
which won high praise, especially from the late  
Dr H G Pearce who concluded his comments saying  
'No one will ever know the hours of painstaking  
effort required for this enlivening and  
beautiful contribution to the Georgist heritage.'

For her understanding and enthusiasm Ida was  
highly regarded. For her gentleness and her  
kindly sense of humour, which so often evoked a  
ripple of laughter, she was loved.

Our deepest sympathy is extended to her  
children, grandchildren and other relatives in  
their sad loss.

I A Akeroyd

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## CENTENARY LETTER

Letter sent by the Lord Mayor of Sydney to the  
Mayor of San Francisco.

His Honour the Mayor of San Francisco,  
Mrs. Dianne Feinstein,  
City Hall,  
San Francisco. 94102. U.S.A.

Your Honour,

I have been informed that  
celebrations will take place in San Francisco to  
mark the occasion of the centenary of the  
publication of 'Progress & Poverty' in your city  
in 1879.

The City of Sydney and indeed all local  
government areas within the State of New South  
Wales have adopted a rating system engendering  
the principles outlined in the publication and I  
have much pleasure on behalf of the Aldermen and  
the citizens of Sydney in extending warmest  
greetings and best wishes on the occasion of the  
centenary celebrations.

Yours sincerely,  
Nelson Meers.

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## MR D K OTTON

It is sad to report the loss of our veteran  
supporter and much loved naturopath, Mr D K  
Otton, who peacefully passed away in his ninety-  
eighth year on the 6th of August.

Throughout his long association—probably  
sixty years—with Georgist activities, he was at  
all times gracious and cheerful, bright eyed and  
mentally alert. Also he was a good listener.  
Paying wide awake attention to all that was said,  
he gave no sign of impatience or weariness even  
when a lecture was too long or discussion became  
too provocative. His contributions on such  
occasions were forthright and always in the  
light of some aspect of natural order. As the  
years rushed away he bore no indication of age.  
He was about eighty when voluntary labour was  
needed at the Terrey Hills School. There he  
worked with fellow enthusiasts thirty years  
younger and lost nothing in comparison.

Truly understanding that health is natural and  
divinely intended, he deplored the lack of

knowledge of the simple and natural way of life individually. Comprehending the beneficence of the natural social order, he was sensitive to the great iniquity and dire consequences of the misappropriation of the natural social revenue. So in helping men as individuals, to be physically, mentally and spiritually all that they are meant to be, to the end that society may be all that it is meant to be, he was a naturopath of the highest order. As such he is affectionately remembered.

Although Mr Otton's influence remains, his presence is sadly missed by many, especially by his family. We sincerely sympathise with his widow, Mrs Vivienne Otton, his two sons and two daughters, their wives and husbands and his 13 grandchildren.

It is well to know that only in advanced old age Mr Otton became less mobile and unable to walk without support. Otherwise he enjoyed good health and maintaining his intellectual interests, mentally he was bright as ever. During his comparatively few years in a nursing home he was never deprived of the warmth of family affection. Always there were those who came with fresh fruit, books and other necessities, and above all the comfort of their presence. Also there were days when he was given the pleasure of a drive along the coast. He loved the sea, the scenery and sunlight—especially at the close of day when colourful sun shafts illuminated the landscapes and the sky. Happily—shortly before the last day of his physical life—he enjoyed a particularly beautiful sunset.

Far from being wasted, his last years were rich in achievement. Summarised in the words of his widow 'Because of his wisdom, gentle disposition, serenity and his wonderful mind, he radiated happiness to all around'.

I.A.A.

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## THE ENERGY CRISIS

By Harry Pollard, The Henry George Schools of California.

Of course there is an energy crisis. But, there wouldn't be if the government hadn't created it. In fact, the problem Washington has is ensuring that the crisis deepens. Now they're hooked into it. It's their *raison d'etre*. (Can you think of another?)

With some luck and plenty of public ignorance, they will be able to frighten us into believing the wolf is not so much at the door, as inside. We shall be so grateful for the small doles of oil or gas provided through government channels, that we'll forget the might-have-been times of plenty.

The Sohio story is unfortunately typical. The oil company wanted to build a 200 mile pipeline from Long Beach, California, to connect to an 800 miler in Texas, then to link to the Eastern network. After 5 years, \$50 million, 700 permits, a Long Beach referendum (won by 61%) and, for all we know, a partridge in a pear tree, Sohio gave up. Apparently, with the law suits stemming from the permits yet to come and the profitable economic life of the pipeline reducing, they got out. (Not to worry. They know their bureaucracy. After the years of nonsense, the state and federal governments will no doubt 'save the pipeline' with special exempting legislation.) Does this make you feel grateful to the legislatures for their help in our moment of need? It shouldn't!

All the vast expenditures, millions of personnel and frantic activity of our various governments produce not a teaspoonful of oil, nor a bubble of gas. They can keep you from getting these fuels; then release them to you as if you have been favored. But, they can't produce a thing. Somebody else has to risk life and limb getting the energy supplies to where the bureaucrats can meddle.

The federal Department of Energy did have a chance to do something useful, that probably would not have been done privately; pour a lot of oil into a hole to neutralize a political action that would stop supplies. When the market isn't free, a political attack may require a political defence. A six-month supply in a hole would mean that our reaction to sudden deprivation would be a shrug of the shoulders. We would simply pump it out of the hole, until the third world politicians stopped playing about. But, several years later, we find our strategic reserve has a 9-day supply—which can't be used because there are no pumps to remove it. (They'll arrive later—after the emergency!) The one thing the Department of Energy could have done to help us they botched. (The \$39 million worth of gas ration coupons have been quickly and effectively destroyed, so don't worry about those. You *did* know about the coupons, didn't you?)\*

However, we already have a strategic reserve of oil—naturally. The U.S. is still floating on oil and resting on coal. But, of course, we should try not to use it. If it's true that oil reserves are running out, it seems a bit silly to use our oil. Better use the other guy's oil first. To appreciate this ploy requires not an extraordinary amount of intellectual keenness. It would occur pretty quickly to the average 7th grader. But, not to our *creme-de-la-creme*. Their policy is to avoid becoming dependent on foreign supplies of oil by using ours up first. Such a course defies the analysis that obviously they need. One is tempted to continue this sorry story, that often descends to French farce but, instead, let's be positive.

The Department of Energy budget is about \$10½ billion. This is more than we spend on oil from Saudi Arabia. So, all we need do is abolish the DOE and use the money to double our intake from the Saudis. We could happily use this joy-riding—or keeping our homes at 72 degrees—or we could dump it in the hole (eventually the pumps will arrive). Without the DOE to advise him, perhaps the President will do fewer fatuous things like refusing to allow Mexican gas to be piped in.

One can kid, but the situation has become serious *only* because our governments keep interfering with the free market they're supposed to support. Unfortunately, none of them understand their Ricardo, Henry George, or Adam Smith\*\*. If they did, they'd know about 'rack-renting'—which is what the OPEC countries are doing. We can't do much about the oil-rent (heck, we don't even deal with it in our own jurisdiction). But, just so long as the oil monopolists keep spending their rent receipts quicker than they get them and the market is left alone, we'll pay the least we need to pay. If we must negotiate with the Arabs, who would you prefer to do it. A faceless pantywaist from State, or a conniving, tricky, opportunistic, self-interested, oil company trouble-shooter?

\* We don't know the cost of the destroyed coupons, but the new lot will cost \$39 million. The old ones were beautiful to behold, even to the likeness of George Washington—which would effectively provide you with a dollar's worth of change at any bill changing machine. Sorry about that!

\*\* 'The rent of land ... is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement to the land, or to what he can take; but to what the oil company\*\*\* can afford to give.'

\*\*\* Adam said 'farmer', but the amendment is appropriate.

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## LAND USE PATTERNS: INFLUENCE ON TRANSPORT

### WHY THE MARKET FAILS TO CONTROL LAND PRICES

*A Paper delivered by Harry Pollard at the Fifty-Eighth Annual Meeting of the Pacific Division, AMERICAN ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE.*

#### INTRODUCTION

Properly to understand the transit situation, it is necessary to retreat through the academic undergrowth to the relatively clear glades of classical political economy with its close attention to precise terminology. So, I shall use the term *Labor* to describe *only* 'human exertion'; the term *Capital* to describe *only* man-made products not in the hands of the final consumer; and the term *Land* to describe *only* the 'original and indestructible' characteristic of natural resources — location.

To round off this catalogue of basics that used to be considered important—but is now generally skirted rapidly by students in headlong flight to the good stuff (such as the latest economic decisions of the State Department) we must include the classic returns to the Factors of Production: *Wages, Interest and Rent*. These were 'free market' returns to the Factors and were paid from the product which was named *Wealth*. Once the returns were paid, there was nothing more to distribute. Not a 'profit', nor an 'inflationary premium'; not a 'monetary adjustment', nor even a bribe: nothing remained after the Factor returns were paid. This classical terminology was simple, all inclusive and, as Roy Harrod remarked, 'revolutionised' our thinking and 'made immense progress possible'. (1)

But, there's a rub! The classic returns were contingent upon the existence of a free market and two conditions are necessary for a market to be free. First, there must be no restriction of production—so that quantity changes might occur; and second, no restriction of mobility—so that goods might get to the market. Given these two conditions, production and mobility, efficient and precise control of the economy and the proper return to the Factors of Production would be handled by the 'price mechanism'.

#### THE PRICE MECHANISM

The hunting action of a price around an equilibrium point used to be called the 'price mechanism', but the term has gone out of style. It described the process whereby any movement away from equilibrium stimulated a price reaction which reversed the movement and thus restored equilibrium. Price mechanism theory is under constant attack by economists who should know better. The assaults range from an assertion that some demand or other is 'inflexible'—a strange contention which is stated with ever increasing confidence until, remarkably, the demand achieves a sudden flexibility—to the massive offensives of the 'imperfect competition' theorists. These people could have made the point that the price mechanism at times may be somewhat arthritic, but instead use governmentally supported market restrictions to prove ponderously (and redundantly) that a restricted market is not free. Perhaps, 'imperfect competition' should be re-thought as the theory of 'imperfect market control'.

Be that as it may, any discussion of the market is usually a discussion of the price mechanism. Demand for widgets raises their price. This stimulates production of widgets and a rush to market to catch the higher return. This satisfies demand causing the price to fall cutting off supply.

However, the analysis of this 'hunting' action rarely touches what we might call the 'dickering point' or equilibrium position. *Ceteris paribus*, there will be a price for something at any given

time and place. Around this price will hunt the price mechanism. External situations and events, whether natural or coercive, will determine this 'dickering point'. The price mechanism does not fix the price; it merely maintains it.

Scientists are frequently confronted by this phenomenon. Several non-random effects combine to produce a resultant that appears random. Any attempt to understand the result is doomed to failure, because of the multiple variable inputs. The 'price mechanism' and the 'dickering point' are not random, but in concert may produce apparently whimsical and non-random effects.

#### RICARDO

The hunting action of the price mechanism is not difficult to understand. Less easily grasped is the path by which the dickering point is reached. Ricardian analysis indicates that wages and interest suffer a constant downward pressure; That while these 'prices' of Labor and Capital are reduced the price of Land increases. Where land of good productivity is freely available, it fixes the equilibrium for Wages in the economy. When productive land is not available to labor—even though unused and underused land may be abundant—wages will drop to a subsistence level: Lassalle's 'iron law' of Wages!

Evidence abounds that Ricardian analysis is perceptive. Union battles to maintain and raise wages are paralleled by governmental legislation to accomplish the same thing. As said Plotnick and Skidmore, the effect of the \$185 billion budget for social welfare during 1972 (46% of public spending) was to reduce the number of poor persons from 39.4 millions to 24.5 millions. (2). As this tremendous effort takes place in the country with the highest living standards and which draws to itself a large proportion of the world's resources for processing, one must view with puzzlement the large poverty population—unless one is a devout Ricardian!

This far too brief reminder of Ricardo is less to emphasize the downward pressure on wages and interest, than to point to its corollary—the upward movement of rent. For capitalized rent is the basic component of land price, just as land is basic to any transit system.

#### PARALYSIS

Rent can be expected to rise in a developing economy and this is reflected by a rise in land prices. But this is no more than a fixing of the equilibrium. To it must be added the action of the price mechanism. As we know, in a demand situation the price mechanism raises price above the equilibrium. With widgets, any such price increase stimulates production and impels widgets to market. With land, no such reaction can take place. Not only is there a restriction on additional production of land, but existing land is fixed in place. One cannot 'rush in some wilderness' to the downtown area to profit from higher prices! The market continues to boom

unaffected by the price mechanism governor.

Yet, the story is scarcely begun. the relentless price rise is quickly seen by the astute and land is bought for purely speculative purposes, which activity increases upward pressure on land prices—which encourages speculation. When the upward movement exceeds the market rate of interest, there is little point to selling land for re-investment at a lower return, so the landowner hangs on. (We will forego the tempting side excursion into favorable tax rates for landholding!)

So, few landholders are inclined to sell. Moreover, those who do sell stumble over a new fact of life. When widgets arrive at the market a demand is satisfied and prices fall. When land arrives at the market place a demand is satisfied and prices rise! The highest return is received by the landholder who sells last. Thus, the market adopts a final ironic stance, the very antithesis of the free market.

It becomes paralyzed by potential vendors each of whom is struggling to be the last one to sell! As a result, a typical American land-use topography resembles nothing so much as a patchwork quilt in which land sales for use are derived from a mixture of connivance, fortuity and not a little inside knowledge of political intention.

#### EMPTY CITIES

The emptiness of our cities is beyond belief. Mason Gaffney provides considerable information in the 1958 Yearbook of Agriculture about city land-use. (3). The figures relate to the mid-50's but little has changed since then (except that some central cities have lost population). For example, the Regional Planning Association of New Jersey, New York and Connecticut, reported that in the 22 county area of metropolitan New York City, no less than 79% of the usable area (84% of the gross area) was undeveloped for urban use. (4). The California Water Resources Bulletin #2 in 1955 found that 65% of suitable Los Angeles area urban land and 90% of the 10 county Bay area metropolitan area was not developed at that time.

The same Bulletin, based on aerial photography, showed 23% of crowded San Francisco was undeveloped; that 75% of the Bay side of San Mateo County (the 'peninsular') was undeveloped; as was 86% of the Santa Clara Valley. The New York engineering firm of Parsons, Brinckerhoff, Hall & MacDonald concluded, after its survey of the Bay area for BART (Bay Area Rapid Transit Council), that sufficient suitable acreage was available in the Bay area for the entire projected 1990 population of the whole state of California—some 22 to 31 million.

This emptiness is obscured by the wide dispersement of people. For example, in the 200 square mile Santa Clara Valley were about seven square miles of subdivisions, but there was at least one subdivision in every square mile. This



meant that the subdivisions that 'crowded' the valley sat on less than 4% of the total area.

The picture is also clouded by the tendency of planning boards to believe their own publicity. An area zoned 'residential' becomes residential land, even when unoccupied. Some subdividing companies have residential lots by the tens of thousands, but without a person in sight.

#### CONCLUSION

So, the transit problem is clear. A bus that must drive through five acres to pick up an acre of passengers (as in New York City) cannot be economic. A train that takes people from a crowded (sic) downtown (Los Angeles' downtown is rather more than 40% parking lot) to a dispersed suburbia is facing bankruptcy, or is hoping for heavy subsidy. Space-age technology, with its epic fantasies involving monorails, people-movers and electromagnetic vehicles, is powerless before the economic consequences of a land market uncontrolled by the price mechanism.

Yet, the largest mechanical transportation system in every American city is not only free to passengers, but is paid for by the people it benefits.\* Perhaps, here can be found the solution to the problem, but it is less a technological than an economic problem and therefore requires an economic answer.

\* The elevator system!

(1) *The Life of John Maynard Keynes: Chapter XI-R.F. Harrod ... Avon Books.*

(2) *Progress Against Poverty: Review of the 1964-74 Decade: Robert D Plotnick and Felicity Skidmore ... Inst. for Research on Poverty.*

(3) *LAND - the 1958 Yearbook of Agriculture: M Mason Gaffney ... Dept. of Agriculture.*

(4) *Bulletin #87 - 1955: Regional Planning Assoc. of New Jersey, New York and Conn.*

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(Cont. from last issue) SOCIALISM

From 'The Condition of Labour' by HENRY GEORGE

#### THOROUGH-GOING SOCIALISM

As for thorough-going Socialism—which is the more to be honoured as having the courage of its convictions—it would carry these vices to full expression. Jumping to conclusions without effort to discover causes, it fails to see that oppression does not come from the nature of capital, but from the wrong that robs labour by divorcing it from land, and that creates a fictitious capital that is really capitalised monopoly.

It fails to see that it would be impossible for capital to oppress labour were labour free to the natural material of production; that the wage system itself springs from mutual convenience, being a form of co-operation in which one of the parties prefers a certain to a

GOOD GOVERNMENT

contingent result; and that what it calls the 'iron law of wages' is not the natural law of wages, but only the law of wages in that unnatural condition in which men are made helpless by being deprived of the materials for life and work.

It fails to see that what it mistakes for the evils of competition are really the evils of restricted competition—are due to a one-sided competition to which men are forced when deprived of land; whilst its methods, the organisation of men into industrial armies, the direction and control of all production and exchange by governmental or semi-governmental bureaus, would, if carried to full expression, mean Egyptian despotism.

#### THE ANARCHISTS

At the opposite extreme are the Anarchists, a term which, though frequently applied to mere violent destructionists, refers also to those who, seeing the many evils of too much government, regard government in itself as evil, and believe that in the absence of coercive power the mutual interests of men would secure voluntarily what co-operation is needed. The Philosophical Anarchists of whom I speak are few in number. It is with Socialism in its various phases that we have to do battle.

#### ENFORCED AND VOLUNTARY COMMUNISM

Those for whom I would speak, believing that the rights of true property are sacred, would regard forcible Communism as robbery that would bring destruction. But we would not deny that voluntary Communism might be the highest possible state, nor that it is possible for mankind to attain it, since among the early Christians and among the Religious Orders we have examples of Communistic Societies on a small scale.

Knowing these things, we cannot take it on ourselves to say that a social condition may not be possible in which an all-embracing love shall have taken the place of all other motives. But we see that Communism is only possible where there exists a general and intense religious faith, and we see that such a state can be reached only through a state of justice. For before a man can be a saint he must first be an honest man.

#### SOCIAL AND INDIVIDUAL NATURES OF MAN

From both Anarchists and Socialists we fundamentally differ. We regard them as erring in opposite directions—the one in ignoring the social nature of man, the other in ignoring his individual nature. While we see that man is primarily an individual, and that nothing but evil has come or can come from the interference by the State with things that belong to individual action, we also see that he is a social being, and that the State is requisite to social advance, having an indispensable place in the natural order.

AUGUST, 1979

Looking on the bodily organism as the analogue of the social organism, the Anarchists seem to us like men who would try to get along without heads, and the Socialists like men who would try to rule the wonderfully complex and delicate internal relations of their frames by conscious will.

#### DIFFERENCE AS TO REMEDIES

We differ from the Socialists in our diagnosis of the evil, and we differ from them as to remedies. We have no fear of capital, regarding it as the natural handmaiden of labour; we look on interest in itself as natural and just; we would set no limit to accumulation; we see no evil in competition, but deem unrestricted competition to be as necessary to the health of the industrial and social organism as the free circulation of the blood is to the health of the bodily organism—to be the agency whereby the fullest co-operation is to be secured.

*We would simply take for the community what belongs to the community, the value that attaches to land by the growth of the community; leave sacredly to the individual all that belongs to the individual; and, treating necessary monopolies as functions of the State, abolish all restrictions and prohibitions save those required for public health, safety, morals and convenience.*

#### GOVERNMENT REGULATION versus NATURAL LAW

The fundamental difference is in this: Socialism in all its phases looks on the evils of our civilisation as springing from the inadequacy or inharmony of natural relations, which must be artificially organised or improved. In its idea there develops on the State the necessity of organising the industrial relations of men, the construction, as it were, of a great machine whose complicated parts shall properly work together under the direction of human intelligence.

*This is the reason why Socialism tends towards Atheism. Failing to see the order and symmetry of natural law, it fails to recognise God!*

We, on the other hand, see in the social and industrial relations of men not a machine which requires construction, but an organism which needs only to be suffered to grow. We see in the natural social and industrial laws such harmony as we see in the adjustments of the human body, and which as far transcends the power of man's intelligence to order and direct as it is beyond man's intelligence to order and direct the vital movements of his frame.

#### DO JUSTICE AND GIVE FREEDOM

We see in these social and industrial laws so close a relation to the moral law as must spring from the same Authorship, and that proves the moral law to be the sure guide of man where his

intelligence would wander and go astray. This is the reason why our beliefs tend towards, nay, are indeed the only beliefs consistent with a recognition of the Supreme Law which men *must* follow if they would secure prosperity and avoid destruction.

This is the reason why to us Political Economy only serves to show the depths of wisdom in the simple truths which common people heard gladly from the lips of the Carpenter of Nazareth! Thus, to us, all that is needed to remedy the evils of our time is to *do justice and give freedom*.

#### THE ONLY POSSIBLE REMEDY

It is because that in what we propose—the securing to all men of equal natural opportunities for the exercise of their powers and the removal of all legal restriction on the legitimate exercise of those powers—we see the conformation of human law to the moral law, that we hold with confidence not merely that this is a sufficient remedy for the present condition of labour, but that it is *the only possible remedy!*

#### LABOUR'S STOREHOUSE AND WORKSHOP

Nor is there any other. The organisation of man is such, his relations to the world in which he is placed are such—that is to say, the immutable laws of God are such—that it is beyond the power of human ingenuity to devise any way by which the evils born of the injustice that robs men of their birthright can be removed otherwise than by opening to all the bounty that God has provided for all!

Since man can live only on land and from land—since land is the reservoir of matter and force from which man's body itself is taken, and on which he must draw for all that he can produce—does it not irresistibly follow that to give the land in ownership to some men and to deny to others all right to it is to divide mankind into the rich and the poor, the privileged and the helpless?

#### THE IRON LAW OF WAGES

Does it not follow that those who have no rights to the use of land can live only by selling their labour to those who own the land? Does it not follow that what the Socialists call 'the iron law of wages', what the political economists term 'the tendency of wages to a minimum', must take from the landless mass of mere labourers—who of themselves have no power to use their labour—the benefits of any advance or improvement that does not alter this unjust division of land?

Having no power to employ themselves, they must, either as labour-sellers or land-renters, compete with one another for permission to labour; and this competition with one another of men shut out from God's inexhaustible storehouse, must ultimately force wages to their lowest point, the point at which life can just be maintained.

## LAND MONOPOLY MAKES LABOUR HELPLESS

This is not to say that all wages must fall to this point, but that the wages of that necessarily largest stratum of labourers who have only ordinary knowledge, skill, and aptitude, must so fall. The wages of special classes, who are fenced off from the pressure of competition by peculiar knowledge, skill, or other causes, may remain above that ordinary level.

Thus, where the ability to read and write is rare its possession enables a man to obtain higher wages than the ordinary labourer. But as the diffusion of education makes the ability to read and write general, this advantage is lost. So, when a vocation requires special training or skill, or is made difficult of access by artificial restrictions, the checking of competition tends to keep wages in it at a higher level. But as the progress of invention dispenses with peculiar skill, or artificial restrictions are broken down, these higher wages sink to the ordinary level. And so, it is only so long as they are special that such qualities as industry, prudence, and thrift can enable the ordinary labourer to maintain a condition above that which gives a mere living. Where they become general, the law of competition must eventually reduce the earnings or savings of such qualities to the general level.

## LABOUR-SAVING IMPROVEMENTS

Land being necessary to life and labour, where private property in land has divided society into a landowning class and a landless class, there is no possible invention or improvement, whether it be industrial, social, or moral, which, so long as it does not affect the ownership of land, can prevent poverty or relieve the general conditions of mere labourers. For, whether the effect of any invention or improvement be to increase what labour can produce or to decrease what is required to support the labourer, it can, so soon as it becomes general, result only in increasing the income of the owners of land, without benefiting the mere labourers.

## WHERE HAS THE BENEFIT GONE?

How true this is we may see in the facts of today. In our own time invention and discovery have enormously increased the productive power of labour, and at the same time greatly reduced the cost of many things necessary to the support of the labourer. Have not the benefits of these improvements mainly gone to the owners of land—enormously increased land values?

I say mainly, for some part of the benefit has gone to the cost of monstrous standing armies and warlike preparations; to the payment of interest on great public debts; and, largely disguised as interest on fictitious capital, to the owners of monopolies other than that of land.

## THE PARADOX

But were standing armies and all their incidents abolished, were all monopolies other than that of land done away with, were Governments to become models of economy, were the profits of speculators, of middlemen, of all sorts of exchangers saved—the result would not differ from that which has followed the increase of productive power.

Is it not true that if there were proposed today, what all Christian men ought to pray for, the complete disbandment of all the armies of Europe, the greatest fears would be aroused for the consequences of throwing on the labour market so many unemployed labourers? The explanation of this and of similar paradoxes that in our time perplex on every side may easily be seen.

## DISINHERITED FROM THE EARTH

The effect of all inventions and improvements that increase productive power, that save waste and economise effort, is to lessen the labour required for a given result, and thus to save labour, so that we speak of them as labour-saving inventions or improvements. Now, in a natural state of society, where the rights of all to the use of the earth are acknowledged, labour-saving improvements might go to the very utmost that can be imagined without lessening the demand for men, since in such natural conditions the demand for men lies in their own enjoyment of life and the strong instincts that the Creator has implanted in the human breast.

But, in that unnatural state of society where the masses of men are disinherited of all but the power to labour when opportunity to labour is given them by others, there the demand for them becomes simply the demand for their services by those who hold this opportunity—and man himself becomes a commodity. Hence, although the natural effect of labour-saving improvements is to *increase* wages, yet in the unnatural condition which private ownership of the land begets, the effect, even of such moral improvements as the disbandment of armies, is, by lessening the commercial demand, to *lower* wages.

If labour-saving inventions and improvements could be carried to the very abolition of the necessity for labour, what would be the result? Would it not be that landowners could then get all the wealth that the land was capable of producing, and would have no need at all for labourers, who must then either starve or live as pensioners on the bounty of the landowners?

## NATURAL BOUNTY MONOPOLISED

So long as private property in land continues—so long as some men are treated as owners of the earth, and other men live on it only by their sufferance—human wisdom can devise no means by which the evils of our present

condition may be avoided. Could even the wisdom of God do so? How could He?

Should He infuse new vigour into the sunlight, new virtue into the air, new fertility into the soil, would not all this new bounty go to the owners of the land? Should He open the minds of men to the possibilities of new substances, new adjustments, new powers, would this do any more to relieve poverty than steam, electricity and all the numberless discoveries and inventions of our time have done?

Or, if He were to send down from the heavens above or cause to gush up from the subterranean depths, food, clothing—all the things that satisfy man's material desires—to whom under our laws would all these belong? Would not this increase and extension of His bounty merely enable the privileged class more riotously to roll in wealth, and bring the disinherited class to more widespread pauperism?

#### WORLD-WIDE COMMON CAUSE

The evil condition of labour is manifest in all countries! The misery and wretchedness are alike felt in countries of different religions and of none; in Monarchies and Republics; where industry is simple and where it is elaborate; and amid all varieties of industrial customs and relations. And, there is one world-wide common cause! This common cause is clear when we consider that, since labour must find its workshop and reservoir in land, the Labour Question is but another name for the Land Question! And see how fully adequate is this cause!

#### ROOT OF THE EVIL

The most important of all the material relations of man is his relation to the planet he inhabits, and hence, the 'impious resistance to the benevolent intentions of his Creator', which, as Bishop Nulty says, is involved in private property in land, must produce evil wherever it exists. And, further, as by virtue of the law, 'unto whom much is given, from him much is required', the very progress of civilisation makes the evils produced by private property in land more widespread and intense.

What is producing throughout the civilised world the present condition of things is not this and that local error or minor mistake. It is nothing less than the progress of civilisation itself; nothing less than the intellectual advance and the material growth in which our century has been so pre-eminent, acting in a state of society based on private property in land.

*It is nothing less than the new gifts that in our time have been showered on man, being turned into scourges by man's 'impious resistance to the benevolent intentions of his Creator'.*

#### BLESSINGS TURNED INTO CURSES

The discoveries of science, the gains of invention, have given to us in this wonderful century more than has been given to men in any time before, and, in a degree so rapidly accelerating as to suggest geometrical progression, are placing in our hands new material powers.

But with the benefit comes the obligation. In a civilisation beginning to pulse with steam and electricity, where the sun paints pictures and the phonograph stores speech, it will not do to be merely as just as were our fathers. Intellectual advance and material advance require corresponding moral advance. Knowledge and power are neither good nor evil. They are not ends but means—evolving forces that if not controlled in orderly relations must take disorderly and destructive forms.

The increasing perplexity, the growing discontent, mean nothing less than that forces of destruction swifter and more terrible than those that have shattered every preceding civilisation are already menacing ours; that if it does not quickly rise to a higher moral level; if it does not become in deed as in word a Christian civilisation on the wall of its splendour must flame the doom of Babylon: "Thou are weighed in the balance and found wanting!".  
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## *Letters*

Sir—Yesterday I received Good Government Dec. 1978 issue, and would like to comment on Mr E P Middleton's statement: 'Let the community draw its revenue from the economic rent wherever it is produced, and "land value" will disappear.'

This statement has been acknowledged for many years, but during the last years, developments have given rise to a re-thinking among a few older Georgists here in Denmark, and we have come to the conclusion that land value will stay on where it is, even if we collect enough land rent, yea even if we replace all income taxes by LVT, as the advantage of having land for production or even just a home will remain the same.

We must not forget that the present high value of land, or the present high land rent paid, is on top of all the taxes, showing that even when people pay both today, land value is rapidly rising. We have come to the conclusion that there is good evidence for a stoppage of that rising as soon as LVT starts to replace income taxes over a period, and that will of course be of great importance, such as stopping the source of inflation. Of course, some pieces of land will decrease in value, namely those which were bought for speculation purposes; when LVT comes into operation people will only buy land for immediate use.

The great advantage of LVT instead of income taxes is that prosperous and young people will have a far better chance and create a higher grade of competition, to the benefit of the consumers. My suggestion of how to start this conversion is that government should start taxing all land value by 2 pct of the market value in the first year, gradually rising to 4, 6, and 8 pct over the coming four years, whereafter a new public assessment takes place (readjustment of market value). The yield of the 8 pct should thereafter be registered as a fixed annual levy on each piece of land, and the procedure start over again, with another 2, 4, 6 and 8 pct over the next four years.

The full revenue shall be used for the reduction of income taxes, by equal amount for every taxpayer. In Denmark, the lower half of all taxpayers will be completely released within the first four-year period, next four years releasing most of the remaining taxpayers. Maybe they will all be released by the expiration of the third period.

When all income taxes are abolished, it will be up to the politicians to decide if you should proceed, so that other kinds of taxes can be abolished as well. The present land value will, to my mind, not fall very much, even after all taxes are converted into LVT. How much indeed, time will show.

P.S.: One of the Danish experiences is that land is not cheaper in communities where they have a higher LVT and correspondingly lower income tax, than where it is the opposite. In some municipalities, they collect up to 7 pct of the actual land value, in others less than 1 pct (in four cases, nothing at all).

KNUD THOLSTRUP Denmark  
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Sir—With half of total earnings going in high land prices, interest payments on inflated land prices, and a variety of disincentive taxes, it is idle to plead with unions not to become militant.

Industrial strife is inevitable when land, the passive factor in production, is held partly idle in support of speculative unearned gain, and labour, the active factor, is partly idle because production is legally prohibited except at wage rates marginally above what consumers are willing to pay.

A further problem is that the returns to capital cannot in general compete with the rewards from 'investment' in land. The latter also is a hedge against inflation and attracts the additional competition of those who operate in the land markets, especially for this purpose. The land holder is able to keep 'his' land idle under present conditions with little disadvantage to himself, and this is compensated for by future gains.

The worker cannot remain idle for anything like the same period, for obvious reasons, not forgetting liability for fixed commitments such

as mortgage repayments.

The capitalist must pay rent and interest on his plant and stock in trade, which will deteriorate if not used and maintained, together with the loss of customer good will and the usual obsolescence factor on machinery etc.

For such reasons the land holder is in a favoured bargaining position as compared with the active participants in production. The position would change dramatically if the community created value of land was taken for revenue, and taxes and restrictions on production progressively reduced. Labour and capital would then receive their full rewards without the necessity for militant action.

G HART Melbourne  
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#### PROTECTIONISM AND THE WEST

(Published in Sydney Morning Herald, 26.3.79.)

Sir—It was interesting to see the comment by the High Commissioner for Singapore (Letters, March 16) on the economic speculations of Mr Keen, National Education Officer of the Freedom from Hunger Campaign (Herald, March 12).

I find it surprising that a functionary of a philanthropic organisation should imply that self-centred protectionism is the best policy for the industrialised West.

Mr Keen asserts that the ASEAN countries threaten Western countries by attracting from them capital that should nourish economic growth at home.

Is, therefore, heavy protection of inefficient industries Mr Keen's answer? Will he relegate the ASEAN (and other developing) countries to roles of hewers of wood and drawers of water in the modern sense of providing primary produce at the demands and prices of the West?

In such case, these countries may be free of the evils of multi-national capitalism and the sins of economic development, but how will their hungry be fed?

A W HAMILTON Kingsford NSW  
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Sir—With all the mystique attaching to Arbitration Courts, it should be understood that all such Courts can do is to inflate money wages. Strikers, please note.

But money wages are not real wages. Real wages are wealth. All wealth comes from the exertion of labour upon land—upon land used as raw material and upon land used as a site to live and work on.

Now the better the land—the greater its productive advantages as in the big cities—then the greater the wealth that could be produced for the same effort. But also the higher the price that may be demanded for the location.

So when wealth production is forced to be lessened because part of the best land is held out of use, and when the cream of production is skimmed off in mortgage and interest repayments (which are really rack land-rent in disguise) then unemployment is higher and real wages are lower.

Where land is cheap real wages are high. And

where land is dear real wages are low.

What price land in Australia?

Land should be held on conditions that ensure its fullest use, preventing monopoly income and control on the one hand, and low wage rates on the other.

We should take into revenue the communally created site rent of land: Whoever holds land should have to pay an annual rental levy on its title. This would virtually vest the value of land in the whole community and would reduce its selling price to a residue.

It would also rid workers of the imposts on their wages! What better way to achieve a fair distribution of wealth? What other way to dispel unemployment?

K N GRIGG

Melbourne

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### LAND TAX BURDENS

(Submitted to The Sydney Morning Herald)

Sir—The disadvantages and burdens now unnecessarily caused by Land Tax could be removed, and the great community benefits of a scientific land tax could be received by streamlining the Act as follows:

1. Retain the incidence on land-value only, excluding all buildings and improvements, but amend the definition of land-value so as to levy on rental-value instead of selling-value.
2. Remove all exemptions and graduations, so that tax falls on the rental-value of all land in New South Wales.
3. Similarly amend the definition of Land-value in all Acts so that both the Land Tax and the Council rates can be collected by the Councils without any substantial extra expense not only could a great part of the immense expense to the government of levying and collecting the tax be eliminated, but the enormous expense, delay and irritation occasioned to purchasers of land and their solicitors could also be eliminated.
4. Above all, the Land Tax would then greatly reduce the price of land which is such a crushing burden on all who are trying to provide homes for themselves. The scandalous price of land is the main disrupting feature of our economy, causing major unemployment and heavy additional taxation.

The only alternative to raising public revenue by levying on the rental value of land is to tax goods and incomes, which has disastrous effects on the cost of living and inflation.

W A DOWE

Lakemba NSW

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### ACCESS TO LAND

Sir—In the recent *Good Government* discussions as to whether land-title is a privilege or a right, the same gem is being observed, although through different facets.

The inherent quality of the gem is that all mankind has equal entitlement to access to land; for man to exist in fullest freedom requires merely that this access be unfettered and equal.

By and large, we no longer are members merely of some clan or tribe or other partial enlargement of the family concept. We are members of the world wide brotherhood of man. This trend requires measures that enlarge our equality of opportunity, for absolute equality is of itself unobtainable and undesirable.

With the tribal or nomadic useage of land, all rights were expressed through the family; all participated in the work and automatically shared in the product.

With today's system of settled occupiership—where productivity is far greater—the necessary equality of opportunity can be secured if we concentrate our thought upon the right of access.

Worldwide, would-be occupiers compete in proffering site rent for exclusive possession and the rent is, as Henry George saw, the great and natural equaliser. But when retained privately, it splits society and gives the 'haves' their undreamed of affluence and their hateful dominion over the 'have nots'.

Naturally, the site rent should be spent on projects common to the whole of society, thus compensating the community in respect of the exclusive right of access that is granted by land-title.

Let us now put back the definitive words that we seem to have been omitting, thus to let the world see that what we talk about is the requirement that those of us who have exclusive access to some part of the globe must make payment to those whom we thereby exclude.

With that in mind, land-title becomes the economically sound and practical idea whereby, through privilege—the law as to privacy—the common rights are preserved.

The theoretic concept relates to common access to land. The practical application relates to the common sharing of the site-rents that arise when exclusive access is granted.

As to 'taxing' and 'taxation', perhaps our task as Georgists is to avoid these terms. We can do so by using the concept of site-rent, and by ensuring that it goes to government for the public benefit rather than, as today, being taken for undue private enrichment.

W H PITT

Nunawading VIC

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Sir—In the December 1978 issue of *'Good Government'* Mr E P Middleton expressed the wish that Mr Gilchrist would think a little more deeply "on the subject of the alleged 'privilege' of a title to hold land".

But does Mr Middleton practise what he preaches? He went on to say: 'The occupancy of a piece of land is the right of every human being, for without that right life is impossible'.

This statement has all the appearances of a self-evident truth—an axiom on which to build, like Euclid, a system of logic. *But is it true?* I like to test such ideas by applying them to the simpler forms of society. The complexities of modern society frequently obscure basic truths.

My thinking takes me to one of the simplest forms of society—that of the Australian aborigine as it was when the white man arrived in Australia. Land was held in common by all

members of the tribe. No site was the exclusive property of any individual. Within the tribal area, land and what it carried were freely available to all.

The members of somewhat more advanced societies lived in villages. A young man taking a wife was granted a site for his hut by the rest of the community. This grant was subject to the young man accepting certain obligations to join with others in the defence of the group, in the clearing of land for the village gardens, etc.

I believe Mr Middleton has overlooked that the exclusive possession of land (which implies the exclusion of the rest of the community) carries with it obligations to the rest of the community as compensation for being excluded.

As society advanced and the division of labour became greater, it was simpler to meet the obligations which went with the exclusive possession of land by paying an annual sum to the community. The community would then pay some of its members to carry out the communal tasks whilst the rest went about their own affairs.

The fairest way of assessing the amount that each landholder should pay was to fix it at the rental value of the bare land, which was really determined by competition amongst members of the community.

So back to Mr Middleton's statement—my thinking tells me that the exclusive occupancy of a piece of land is indeed a privilege and should carry with it the obligation to compensate the rest of the community for being excluded.

NOEL WIGMORE  
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Murrumbidgee VIC

#### FROM THE NEWSLETTER OF THE ELECTORAL REFORM SOCIETY OF SOUTH AUSTRALIA

The Australian Democrats have voted in favour of proportional representation as a plank in their electoral reform policy. In addition, their national executive has resolved to undertake a national educative programme on proportional representation.

Congratulations to the Unley Sub-branch of the ALP. At the State Labor Convention in June they submitted a motion 'That the rules of the South Australian ALP be altered so as to provide that all ballots held within the party and its affiliates are conducted under the "Hare-Clark" optional preferential system'.

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#### LETTERS TO THE EDITOR

Sir—We need incentive taxation. Incentive taxation is predicated on the basis that land values are created by the presence and activity of people working and co-operating together. Some people produce wealth and others provide desirable services. Land values would simply not exist without the collaboration of many people as wealth is produced and all kinds of services are rendered.

Therefore, since all land values are socially created, and since those values tend to attach themselves to land, they should be socially

collected and socially distributed.

Moreover, any tax which is based upon what men have actually produced or whatever service they may have rendered is punitive. Society should reward those who produce desirable wealth. Instead, as a society we penalize them and then they proceed to make the buyers pay the penalty in the form of higher prices for the things they want. It makes no sense at all.

In effect, we are saying that it is a social evil to produce wealth or to render service. What is even worse, the very tax system creates conditions that make it possible for a few to monopolise most of the land. Land is nature's free gift to all and should be made accessible to those who are willing to produce and render services.

L W BROWN

Melbourne

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#### OWNERSHIP

There can be to the ownership of anything no rightful title which is not derived from the title of the producer and does not rest upon the natural right of the man to himself. There can be no other rightful title, because (1st) there is no other natural right from which any other title can be derived, and (2nd) because the recognition of any other title is inconsistent with and destructive of this.

(P 335 'Progress and Poverty' by HENRY GEORGE)

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#### MONTHLY MEETINGS HELD AT 143 LAWSON STREET, REDFERN

1st Monday, 6 p.m.

Australian School of Social Science  
(No January meeting)

2nd Tuesday, 6 p.m.

Henry George Foundation and  
Association for Good Government

3rd Wednesday, 7.45 p.m.

Social Science Club  
(No January or February meeting)  
October meeting is held as the Henry George  
Commemoration.  
December meeting is held on 2nd Wednesday.

LAST Thursday, 6.15 p.m.

Proportional Representation Society  
(No December meeting)

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