

# Good Government

Incorporating 'The Standard', published since 1905.

A JOURNAL OF POLITICAL, SOCIAL AND ECONOMIC COMMENT

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

### FROM THE SUTHERLAND CLEARANCES TO STANTON FITZWARREN

The power of landlordism has been recently exemplified in a pretty Wiltshire (England) village called Stanton Fitzwarren. The lord of manor, one Henry Masters, handed over his entire estate to the religious sect known as the Unification Church, more commonly called 'The Moonies', as a gift and sign of his conversion.

Although there have been reports of pressure and intimidation to make the tenants conform to the patterns of behavior that the new landlord deemed fitting, most of the objections have been caused by fears of loss of tenancy, some of which had continued for generations. However, according to a report in the Sydney Morning Herald of 21.6.80 one Desmond Jeeves, a 55 year old farmer, had plenty to say. He told the reporter that his family had lived and worked on one of the manor farms for 97 years and of how he had been evicted with a court order after receiving a letter which told him he was not 'united in heart and purpose' with the new farm administrators.

The occurrence illustrates the shallowness of the welfarism with which post-war England has been identified. To work at farming or any other pursuit nobody should be obliged to be united in any respect with any other person or group. The only obligation arising out of economic activities is to pass over to the government the rent of the site or opportunity being occupied  
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'But in 1924 no politician of the first rank had grasped that unemployment was now the politics of the future, and that the kind of unemployment that now afflicted millions of people and darkened the lives of millions more was not susceptible to the machinery and attitudes of the past. There was, accordingly, an air of marked and real irrelevancy about the speeches and actions of Government and Opposition alike during these vital years. They took the wealth of the nation for granted; they understood that there would be ebbs and flows in the process of economic expansion; they endeavoured to mitigate the unfortunate consequences of recessions; but their eyes were usually on more traditional and exciting concerns. It was not wholly without significance that the fiercest schism in the Conservative Party in the period was over Churchill's attempt to reduce the cruiser-building programme, nor that the finest debates in the House of Commons were over the revised Book of Common Prayer. The political centre was drifting away from the true concerns of the people.'

There has been no improvement. Politicians still dodge the issue of restoring to people the right to engage unhindered in production while churning out masses of palliatory legislation. They will not face up to the need for revising or abolishing those pernicious laws that cause the socially produced rent of sites and opportunities to become the basis of private fortunes and speculative trading. Poverty and unemployment will haunt and threaten what is left of our civilization and bring us closer to war so long as these bad laws are allowed to continue.

### 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.

We regret to report that our Editor, Mr Jack Brandon, has been unwell and has had two stays in Royal North Shore Hospital in the last couple of months. This has resulted in some delays, and problems because of the inexperience in editing by some of us who have had to take over part of Mr Brandon's duties. Get well, Jack!

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## RISING LAND VALUES BRING OUT THE DEATH SQUADS

By FRED HARRISON

*(Reprinted from Land and Liberty, June 1980.)*

According to the Central American Jesuits, Guatemala's government-sanctioned death squads murdered 3,200 people last year.\*

This was an increase on 1978, when about 1,000 people died or 'disappeared'. The figures show a dramatic rise in the deaths monitored during the mid-70s, and the explanation is that speculators have begun to cash-in on rising land values.\*

Slayings are a routine part of a systematic effort by the country's landowning oligarchy to prevent land reform. The savagery is not mindless, but part of a long-term strategy aimed at preserving the existing distribution of land.

The current crisis can be traced back to 1954, when President Arbenz redistributed 1.5m acres of land to 100,000 peasants. Much of the land was not cultivated. About 400,000 acres belonged to the US-owned United Fruit Company, which refused to accept the offer of compensation.

A CIA-sponsored coup toppled Arbenz, who was a moderate liberal from an aristocratic family. The land reform was put into reverse, and 10 years later the official census (*Segundo Censo Agropecuario*, 1964) reported that 2% of the farms accounted for 63% of the arable land. In contrast, 87% of the total number of farms occupied 19% of the arable land and each averaged under two hectares in size.

The concentration of land ownership continued, and it is now estimated that 2% of the population owns 75% of cultivable land. The stakes, then, are high. While the majority of Guatemala's population of 6m. live in poverty, something like 200 families luxuriate in riches derived from the ownership of land: and they mean to keep things going their way, even though they have created the conditions for civil war.

Ballot rigging has been just one method of ensuring that power remains in the hands of landowners, who have structured the political system to fit the distribution of property rights to land.

For example, 4,000 rural localities which qualify as administrative units with independent armed bodies for law enforcement are, in fact, individual private landholdings:

'Over 4,000 of these localities are organised farms constituting a form of company town work force. Some develop fairly sizeable security units of their own, making governmental control largely unnecessary from the viewpoint of the farmowner.'\*

These local parapolice forces are reported to be responsible for the majority of deaths and disappearances in rural areas. Thus, the landowners have direct control over the legally-sanctioned instruments of terror; and they have used their powers to annihilate all opposition.

Landowners, however, are not just interested in retaining their share of the distribution of land: they do not want to pay wages above subsistence level. Their control over most of the best land has pushed the Indians, the descendants of the Mayan empire, up into the marginal lands of the hills. Here over-farming and lack of terracing of the steep fields has meant steady erosion and smaller crops.

The 500,000 Indians who are forced into seasonal employment on the big plantations have to accept wages of under \$2-a-day. In recent years, however, the peasants have been forming cooperatives. These are designed to increase credit, and help to improve productivity.

Lowland landowners have branded the development as 'communism'. For, they fear, 'the co-operatives will improve conditions in the highlands and thus discourage the Indians from working for slave-wages in the plantations'.\* So co-operative organisers have become prime targets for the Right-wing death squads, deaths which in the literature of the civil rights workers are recorded as 'extra-judicial executions'.

Most of the murdered people are rural peasants, who are defenceless against the well-equipped army and para-military forces. Peasants who try to organise themselves have done so with fatal results. For example, between 3,000 and 8,000 are reported to have died in the Zacapa-Izabal campaign from October 1966 to March 1968.

The total number of deaths and disappearances since 1966 is likely to exceed 20,000, most of them peasants or urban poor. And the annual death list is likely to continue rising, for the simple reason that land values are rising in the northern provinces.

'One factor alleged by observers to have affected the situation in the Quiche area has been the rapid increase in value of the land — presently occupied largely by peasant small-holders organised in co-operatives— due to the planned construction of a major highway into the area linking agricultural land with national markets, as well as the discovery of petroleum deposits in the region.'\*

The share of deaths in the north, which is the most sparsely-populated area of the country, rose from 4% in 1972 to 28% in 1976.

An example of the horror which can result from

the defence of traditional rights to land is the massacre in the market place at Panzos. Over 100 Indian peasants, including 25 women and children were killed on May 29, 1978. The Ministry of Defence issued its version: 34 people were killed when 'armed peasants' staged a surprise attack on the garrison.\*

The Copenhagen-based international Work Group for Indigenous Affairs, which has documented the tragedy, is sceptical. 'It does not seem reasonable for a group of peasants to attack an army outpost with machetes. Or to take women and children with them'.\*

The cause of the deaths is an age-old one: land-grabbing. Existing plantation owners are extending their holdings with the active assistance of the country's agricultural agency, INTA. The aim is to cash-in on the rise in land values. Expectations leapt when it was learnt that the large oil deposits in neighbouring Mexico originate from oil strata that extend into the subsoil of northern Guatemala and southern Belize.

*'However, in order to get any profit out of the oil, it has to be transported to the centre of the country. This will happen by means of a pipeline that is to pass through Alta Verapaz, including the Panzos district. The projected pipeline and wildcat drilling have meant that prices for land have begun to go up. Expecting even higher price rises, the big landowners try often with the help of the military forces to oust the Indian peasants from their land.'*\*

By removing the Indians, the landowners simultaneously accomplish both their goals. They reap the benefits of increasing land values, and enlarge the pool of landless workers who act as a check on the wage-aspirations of plantation workers.

General Romeo Lucas Garcia, who took over the Presidency last July, is one of the big land-owners in the Alta Verapaz province. So is the Minister of Defence.

Guatemala is a signatory of the American Convention on Human Rights (1969), and is a party to the American Declaration of the Rights and Duties of Man (1948).

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2. Andrew Graham-Yooll, 'Tide of Revolution Rises', *The Guardian*, 18.2.80.
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4. *Area Handbook for Guatemala*, US Government Printing Office, 1973.
5. *Guatemala*, London: Amnesty International, 1976, p.9.
6. Alan Riding, 'The Army Turns Left', *Financial Times*, 12.9.75.
7. *Guatemala*, op. cit., p. 13.
8. *The Massacre at Panzos*, op. cit. pp. 16-17.
9. *Ibid.*, p.8.
10. IWGIA Newsletter No.19, June 1978, pp.3-4.

COMMENT: This distressing report shows how cruel and unloving some people can be towards their fellows. It is interesting that greed, ambition, and lust for power are so often associated with monopolising land.

Distress will no doubt continue to varying degrees in all countries until communities realise that the optimum happiness and prosperity is achieved when government uses its power to give all an equal share in land ownership, while maintaining that the rewards for effort and enterprise are retained by the individuals who provide them. Site value taxation is of course the way to equalise shares in the earth.

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## A TIME FOR TRUTH

By WILLIAM E SIMON

Reviewed by E P Middleton

This is one of the most important books of its kind written in the last decade. A remarkable attack on the complacency endangering the very existence of the United States as an economic and political entity, by a man who, until he retired in order to write this book, was at the very pinnacle of power in the nation's governmental structure—Secretary of State for the United States Treasury.

Professor Milton Friedman says, in a preface to the book, 'Mr Simon was a splendid Secretary to the Treasury. Yet, he will I believe contribute more to his country by this book than he has done in his often frustrating tour of duty. We have too many efficient technocrats. We have too few far-sighted visionaries'.

The period of Mr Simon's occupancy of his high office embraced what he describes as 'two economic cyclones—the worst inflation and recession to rock the country in forty years' and the crisis created by the OPEC oil embargo in which he found himself 'at the eye of the cyclone' in the capacity of 'energy czar', appointed as such by President Nixon. One of the most illuminating experiences recounted by the author, one which was largely responsible for forming the conclusions he finally came to hold on the dangerous situation he saw developing, was the frequency with which he was required to testify, in his official capacity, before committees of Congress, and the utter waste of his own and the politicians' time these appearances represented. 'As far as I could make out' he says, 'most of the Congressmen, like most of the reporters attending the hearings, learned virtually nothing from these public investigations. It did little or no good to answer the thousands of questions, most of which had been formulated by legislative assistants and handed to the Congressmen at the last moment, since my answers were rarely wanted or believed.'

This was no doubt in part due to the fact that, as he puts it, he was 'always sending the Congressmen one fundamental and disagreeable

message, namely, that the government in general and the Congress in particular, were responsible for both economic and energy crises and for the dangers associated with them'. Inevitably, he was not the most popular man in Washington, any more than within the Administration itself. And it is a measure of the man's dedication to the truth as he saw it that he stuck to his guns through the most gruelling storm of criticism and downright detestation and abuse any man in high office could have been expected to suffer.

He muses over the fact that two presidents tolerated him in the face of his disturbing strictures, and concluded that it was because 'they believed in private that I was right'. Certainly President Ford emerges from these pages as a man of principle who did his best, within the scope of his political allegiance, to counteract much of the political damage by the frequent use of his veto over legislation.

The dominant theme of the book is what Simon describes as 'the death-grip of government on the economy', and he provides incontrovertible documentary evidence in support of his conclusions.

Born into a family of French catholic origin, in 1927, poor as a result of the Great Depression, his early life gave him a character-forming environment of struggle. Educationally speaking his scholastic career was not brilliant and, doubtless in compensation, he became a successful amateur sportsman, particularly in the strenuous field of surfing. He says he felt some remorse over his undistinguished academic record until, decades later, 'I discovered that the American intelligentsia vastly preferred impecunious Ph D's who destroyed the economy to successful, but Ph D-less financiers who fought to save the economy'. His entry into the world of finance began in 1952 as a management trainee on Wall Street, and here he soon discovered his real vocation. By the 'seventies he had succeeded in setting his growing family on a secure foundation. 'Along with professional success came an invisible form of wealth. I had begun to understand how certain sections of the American economy operated.' Gradually his ability in the field of finance, in which he found himself frequently advising Treasury officials and other government and non-government agencies, brought him closer to the hub of government, in Washington.

Eventually he became chairman of the Technical Debt Management Committee of New York City, a fact, he says, 'which had its own ironic overtones when, in later years, New York foundered under its burden of debt and, as Secretary of the Treasury, I fought against the irresponsible 'bail out' demanded by city leaders'.

Politically he was a Republican and actively supported President Nixon's candidature, having been disturbed by such developments as 'the economic and military irresponsibilities of the Johnson administration and the political violence of the time'. Eventually, he found himself appointed Deputy Secretary to the Treasury under the celebrated George Schultz.

Upon Schultz's resignation in 1974, following the disastrous episode of 'Watergate' and Nixon's own resignation, Simon was appointed Secretary, a post he continued to hold under President Ford.

In April, 1976, he was called to make his first testimony as Treasurer before the Congressional sub-committee on Democratic Research Organisation. The chairman, in introducing the Treasurer, outlined for the latter's benefit, the nature of the sub-committee's deliberations to date, in the course of which he recounted some of the horrific statistics of government finance. 'We have balanced the budget only once in the last sixteen years' he said, 'the national debt limit having been raised to about \$713 billion on the floor of this House yesterday. Interest on the national debt for fiscal year 1977 is estimated to be in the area of \$41 billion'. He explained that the sub-committee had been 'exploring the relationship between deficits and inflation and other aspects of the economy'. They had concluded that they could not complete their study 'without hearing from their distinguished Secretary to the Treasury'.

Simon, under the shock of discovering the complacent atmosphere in which the sub-committee appeared to exist in the midst of the 'economic maelstrom' that, to him, endangered the very existence of the nation, abandoned his carefully prepared speech and spoke extemporaneously. His opening words indicate the nature of his deep concern at the situation: 'Unfortunately, all the rhetoric about deficits and balanced budgets obscures the real danger that confronts us.' The real issue, he said, was the government's share of the Gross National Product—'of the earnings of every productive citizen of this land'.

The tragedy of the occasion was that, despite the fact that the subject of the hearing was one of the most important in America's political life, 'Most of the committee members had not shown up, and there sat the chairman solemnly reciting statistics, a Niagara of numbers, symbolizing exactly what was happening in the nation: an almost universal incomprehension of a glaring danger'.

In his chapter 'Freedom versus Dictatorship', Simon recounts an official visit to Moscow, in which he participated as leader of the American delegation to the fifth annual session of the Joint US-USSR Commercial Commission. The joint statement released to the press at the conclusion of the negotiations 'indicated that these had been affable; but it did not indicate the artificial cocoon of a world in which those affable negotiations had taken place ...with all the luxury the dictators of the USSR could wrap around the American negotiators to shelter them from Soviet realities'. He found the Russian representatives always friendly, intelligent and informed. 'What they felt, of course, I never knew. The facades they wore masked all inner feelings. Somewhere outside that cocoon, in some other division of reality, we knew there was an oppressed population ... but none of this was visible in our opulent nest, the artificial

world prepared for us by the Lords of the Kremlin.'

As their aircraft took off for the delegation's return to Washington, the roar of the engines broke into their conversation and they all fell silent. "We were no longer on Soviet soil! Everyone burst into spontaneous applause! The moment of elation needs no translation, I knew exactly what it was, a sense of oppression being lifted from all of us who had never known oppression. I remember that sense of 'I can breathe again, I can talk again, I am not being spied upon any more'. We were flying home towards freedom." That moment was for Simon an illumination in the real meaning of Freedom, something he and his fellow Americans had taken for granted, and which he realised his Russian counterparts, never having known it, could not understand. So much had this freedom—not a *presence* but an *absence*, an absence of government restraint—been taken for granted by the American people, 'Freedom guaranteed by the Constitution, freedom of action—most particularly freedom of productive action or free enterprise' that it was now no longer understood. For years in Washington he had been 'watching the tragic spectacle of citizens' groups, businessmen, politicians, bureaucrats and media people systematically laying waste to our free enterprise system'.

The relationship between free enterprise and political freedom is stressed by Simon as being fundamental to an understanding of the difference between the American way of life and that of the Soviets. And the tragedy he sees confronting the American people is the imperceptible destruction of both these freedoms. He poses the hypothetical question: What would happen to a society if someone tried to *mix* the free and the totalitarian, the unplanned and the planned, the individualist and the collectivist elements in economic life? He answers by pointing to all the industrialised nations of the West. They share certain characteristics. Their intellectual and political leaders share the illusion that a handful of individuals can substitute their judgement for the billions and trillions of decisions that go on in a free market. They believe it possible to use central planning to 'correct' free market processes without destroying the market itself. He quotes *Newsweek*, in an article in 1976, which describes the system as 'social democracy' and says it 'seeks a middle ground between capitalism and communism'. Most people cannot see, says Simon, that when a politically and economically free society starts to contract individual initiative, to contract the freedom of the market, political liberty is on the decline, inventiveness must decay and wealth decrease. And he outlines extensively the varying degrees to which this condition approximates in all the countries of western Europe.

As for America, he says, "our industrial sector, riding on the awesome momentum of two centuries of freedom, is still, for all the intervention and regulation, breathtakingly inventive and rich compared with others in the

world. We can still describe ourselves as a free enterprise or free market economy. But today these terms have only a relative meaning. In the context of our own past, and by the standards of our once exceptionally free market, we have ceased to be a true free enterprise economy and are today a 'mixed economy' or 'welfare state'...ruled almost exclusively by a political-social-intellectual elite committed to the belief that government can control our complex market place by fiat better than the people can by individual choice; ideologically committed to 'social democracy' or democratic socialism', believing that one can drastically mix polar political opposites, can fuse the dynamics of communism and capitalism within one society without evil consequences".

American political leadership committed, he says, to the ideal of the 'mixed economy' is required to articulate a coherent advocacy of individualism and collectivism, of individual liberty from government coercion and of government control over individual life. 'Political language has become paralyzed by these conflicting assignments; politicians attempting to resolve the problem are speaking a mediocre kind of double-talk so rife with self-contradiction that they are winning the contempt of millions of Americans.'

The 'energy crisis' following the embargo on oil exports to the US by the OPEC countries, put Simon in the unique and impossible position of controlling the huge oil industry while witnessing the denigration of every instinct and principle for which his own philosophy had prepared him. President Nixon appointed him chairman of the Oil Policy Committee, making him virtually the 'energy czar', dictator over the whole oil industry of the United States. On his protest that he knew nothing about oil, he was told he would 'soon learn'! 'What was needed' he was told, 'was a man without any built-in prejudices or vested interests.'

One of the first things he learned was why a neutral personality had been chosen for the job. He was immediately 'deluged by advice, demands and warnings from an incredible number of interested parties, ranging from the fifty-five federal agencies which had been regulating the industry to the industry itself—the major companies, the independents, marketeers, producers, refiners and jobbers'. With conscientious zeal he engaged in a three-months crash course of self-education in the subject with the assistance of experts, working till late at night and over weekends. Soon he found himself fighting with one hand to ease the government's death grip on energy production and with the other to unify and centralise government control. But, he says, 'there's nothing like being an economic planner oneself to learn what is desperately, stupidly wrong with such a system'.

He was shocked to learn the degree to which the energy industries were 'stagnating and struggling futilely against regulatory shackles'. He was to be further shocked at the ignorance

around the nation about the crisis itself, and at the backlash arising out of that ignorance that flailed himself as the alleged cause of the crisis!' He ultimately realised 'the profundity of the difference between the businessman and the bureaucrat. The former's standard of efficiency is a solution of the problem; the latter's is obedience to the rules and respect for the vested interests of the hierarchy. Response to an external reality is often irrelevant'.

No less a shock awaited him when he discovered the 'extraordinary irresponsibility of that collection of economic planners known as Congress—their occasional silliness, their frequent stoney ignorance, and their paralysing interventionist ideology'. He cites incidents demonstrating all these charges.

As the energy 'crisis' deepened, aided by an ill-informed, politically partisan press, oil became the central theme of a nation-wide hysteria. Simon found that his education in the energy realm was not complete until he understood the nature of the oil hysteria of the liberal democrats—'a symbolic mania sheltered by a profound refusal to face the facts'. They were 'out of contact with reality. Trapped in a mirage of preconceived notions—the very liberal ideology itself, a hash of statism, collectivism, egalitarianism and anti-capitalism, a murky conceptual mess rendering the most innately brilliant of men stupid'.

One of the more concrete products of the energy 'crisis' was the Federal Energy Administration which was supposed to go out of business when the 'crisis' was over. Simon was horrified to discover a move to prolong the life of this institution which he described as a 'menace, strangling the industry at the very time we needed production'. He fought to prevent its perpetuation, without success. There was worse to come—the creation of the Energy Policy and Conservation Act, of 1975, brought on largely as a sop to Democratic voters, 'a quick political fix just before the New Hampshire and Florida primaries'. Simon outlines this law in detail but describes it succinctly as 'disastrous'. This was followed in 1976 by the Energy Conservation and Production Act by which the Carter administration, in 1977, topped-off the 'disaster', committing itself formally to the idea that only central planning by the state could solve the nation's energy problems. A giant bureaucracy which would control every aspect of pricing, production and consumption—'the effective nationalisation of American industry'.

Some indication of the basis of Simon's concern at the extent of the socialist-created malaise may be derived from such statistics as these: 'The share of the GNP taken by government by 1976 was 36 percent. The tax bill was rising more rapidly than the cost of living; taxes on business had climbed 320 percent while industrial sales had risen only by 180 percent. The Federal Government was spending more than \$1 billion a day; it had become the nation's biggest employer. Redistribution of wealth

(welfare) had by 1975 risen to a total of \$286 billion; 'welfare' programs had increased from 100 in 1960 to more than 1000 in 1975. The national debt had risen from \$313 billion in 1965 to \$533 billion in 1975. Interest on the federal debt alone in 1975 was \$38 billion, to become the third largest item in the budget. The growth rate of the money supply had risen to nearly 6 percent per annum. The rate of unemployment was 9 percent'. Simon describes the total picture as 'a frightening diagnosis'. To all intents and purposes, he says, 'a stop growth pattern had been built into the economic structure by the state itself by the exercise of four major government policies: deficit spending, inflation of the money supply, regulatory policy and wage and price controls'.

And because Simon stumped the country in an endeavour to awaken the nation to its peril, he was hounded from office by a combination of hostile Congressmen, obstructive bureaucrats and a partisan press. As for the economists, their response may be best summed up by a remark of one of them: 'If the best of the modern day economic policies couldn't produce any better results than what actually occurred, does the economist have merely a marginal usefulness in society?'

The culmination of Simon's experience in the office of US Treasurer was the financial collapse of the city of New York in 1975. This calamity was not, he says, the result of the general recession, nor of the energy crisis. It was a problem unique to New York itself—unique in only one sense: 'The philosophy that had ruled our nation for forty years had emerged largely from that very city, America's intellectual headquarters. It was carried to its fullest expression in that city.' He quotes Martin Meyer, author of *The Bankers*, for an adequate description of the causes of the collapse: 'On the simplest level, the story of New York's financial collapse is the tale of a Ponzi game in municipal paper—the regular and inevitably increasing issuance of notes to be paid for not by future taxes or revenue certified to be available for the purpose, but by the sale of future notes. Like all chain-letter swindles, Ponzi games self-destruct when the seller runs out of suckers, as New York did in spring 1975'.

According to Joel Harnett, chairman of the City Club of New York, 'The key determinant of the City's budget is the politics of the municipal labor unions. Yet the public does not elect these leaders; on the contrary, it is they, in partnership with the political system, who do the electing. The single, most crucial reason for the death of New York is the fact that most critical decisions about the future of the City are made to preserve this alliance'.

When the inevitable happened, when the public at last refused to buy any more New York paper, there were charges that this was the result of a decision by a handful of men in a smoke-filled room. 'It was not' says Simon, 'it was made in the full light of day, visible to all, by that omniscient judge: the market.'

Faced with the closing of the market, New York's officials 'howled with self-pity and demanded federal aid in the form of a Treasury guarantee of their loans'. And because Simon, as Federal Treasurer, rejected the appeal and actively opposed the idea, he was vilified by politician and press alike. He was, of course, not alone in his opposition to the proposal for federal 'rescue' of the city from the consequences of its own folly but he was the logical target for abuse. His detailed history of this disgraceful episode is a story of official venality and corruption of politicians and a shocking abuse of power on the part of the union leaders determined to maintain their privileged 'milking' of the city's taxpayers.

The burden of the city's protest at its treatment by Simon and the federal government generally was that they were ideologically opposed to the city's known 'humane' treatment of its poor. This was shown to be sheer hypocrisy, for the main recipients of the largesse which had brought New York to ruin were middle-class workers and employees protected by racketeering union agreements.

To Simon, the story of New York's collapse served to illustrate and dramatically emphasise his reiterated charge that the so-called 'liberal' philosophy, which first came into the open with the Roosevelt 'New Deal', was the nation's real enemy. "There is only one way" he says, in the chapter headed 'The Road to Liberty', "to generate public awareness. I have listed and intend to launch a broad challenge of the assumptions and goals presently underlying our political life. It cannot and will not emerge naturally from the ruling intelligentsia ... what we desperately need is a counter-intelligentsia that will issue such a challenge. There are many thousands who do not aspire to dictate the course of the lives of their fellow citizens. There are millions of intelligent people who have come to distrust both 'big' government and the ruling intelligentsia. A powerful counter-intelligentsia can be organised to challenge our ruling 'new class' opinion makers—an intelligentsia dedicated to the political value of individual liberty; above all, which understands its relationship to meritocracy, consciously aware of the value of private property and the free market in generating innovative technology, jobs and wealth. Such an intelligentsia exists and an audience awaits its views."

Unfortunately, as this reviewer has so often had to report, the author of this splendid call to his fellow countrymen to return to the principles that guided the Founding Fathers of the United States, discloses no understanding of what Georgists see as the fundamental cause of his country's malaise, the draining off of its natural revenue by the millions of non-producers engaged in the 'land values' racket. This is the real enemy which Simon's 'counter-intelligentsia' will have to challenge before there is any real hope of achieving their goal of liberty and the true free market.

\*First published in 1978 by *Readers' Digest*, New York. Available in paperback in Australia, price \$5.95.

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## TOWARDS A FREE SOCIETY

Mr E P Middleton's book *Towards a Free Society* is available from Mr E B Donohue, 12 Paisley Road, Croydon 2132. Price \$7.95

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## CRITICS OF HENRY GEORGE

Reviewed by W A Dowe, Director, Australian School of Social Science.

Presumably this book is intended chiefly for those who have accepted and are devoted to the philosophy and proposals of *Progress and Poverty* as well as for those who regard them as fallacious or defective. It is a scholarly selection and review of many of the most prominent and influential critics of Henry George over the century 1879-1979. The different authors who deal with the critics do so very capably and fairly, and make the most of their merits. Many of the critics show signs of little or no mastery or even understanding of the object of their criticism and often tilt at windmills erected by themselves.

In the last analysis George's primary work was not to put forward any economic or political plan or scheme, or even reform. He pointed the way to the understanding of the natural order, and the way he pointed out to any person who, like himself, was concerned with social problems and determined to find the cause of increasing poverty amid affluence, was to study the economy as basically any other science is studied in order to discover the natural and unalterable laws which govern it, and then to work for human laws in harmony with the natural laws which have been established.

In my centenary address reported in the December 1979 issue of *Good Government* I said that I had found no criticism of Henry George of any real substance. This was, of course, intended to mean no criticism of George's basic philosophy or proposals. George was not a superman, and his deficiencies (comparatively trivial when compared with his achievements) have long been apparent to his supporters as well as his opponents.

Possibly our isolation in Australia from the libraries of the world's literary centres explains why before I read this book I had not even heard of many of the critics mentioned in it. But my opinion of them all has changed very little. Their points are many and varied, and are of differing degrees of importance and relevance, but none of them offers any serious refutation of George's basic case. Of the less worthy of attention are Marx's famous 'criticism' that *Progress and Poverty* was the last ditch of capitalism, and Eric Roll's that George was

muddle-headed, no support of either being offered. And even less worthy was the Duke of Argyll's gibe at 'the prophet of San Francisco'. Thorold Rogers, and others not mentioned in this book, are also disappointing in launching strong attacks without substantiation.

*Critics of Henry George*, however, details many criticisms which need to be weighed. First listed are Lavaleye's, in which 'George is taken to task for not considering the burden of military expenditure and of other government exactions upon labour'. As this amounts to a partial expression of an almost universal criticism of George, which deserves special treatment, I have ventured to express some amplified views on it in the separate article in this issue entitled 'Is the Rent Sufficient?' Lavaleye's other criticisms contain valuable material from which Georgists may profit.

A discussion of all the critics presented in this book and of all their criticisms would of course be beyond the scope of a brief review and would still fail to disclose any refutation or discrediting of any key point in George's philosophy or proposals, the heart of which is that the economic rent is entirely a social product and morally belongs to society and should be appropriated by society and used for public revenue. Many of the criticisms of Marshall, Huxley, Walker and numerous others examined in this book may or may not be valid in respect of fringe considerations.

Those whom George has taught to understand the natural order in society can profit by listening to and appreciating the points made by his critics and by sifting the wheat from the chaff. This book presents us with an adequate field for study. The authors, and in particular the editor, have done an extremely competent job which will not only inform its readers but will promote the quest for truth. An erudite task well and painstakingly done.

(Fairleigh Dickinson University Press, USA, 1979 \$US18.)

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## IS THE RENT SUFFICIENT?

A frequent objection to Henry George's basic proposal that the economic rent, which is produced by the community alone, should be appropriated by the community and used to defray the costs of government, as well as for other purposes such as are outlined (perhaps somewhat over-enthusiastically) in Book 9, Chapter 4, of *Progress and Poverty*, is that the rent would not be, or at least that it cannot be demonstrated to be sufficient to cover all the costs. The following points are relevant:-

1. To justify the proposal it is not logically necessary to show that the rent would be sufficient for the purposes of government or for any other purpose. The proposal rests primarily and sufficiently on ethical grounds.

George, of course, ably demonstrated that the rent is enormous and constantly grows as society

grows, not casually but causally. This gives rational grounds for inferring that the rent is and must be at all times sufficient for all normal purposes of government. He also ably demonstrated that to use the rent for public purposes, instead of taxation, would be an enormous economy with far-reaching consequences, and that other potent advantages would result. But the essence of George's argument in support of his proposal is that the rent being a social product ethically belongs to the community. Thus he established that justice demands that the rent be used for the community.

It is nevertheless necessary to establish as far as possible whether the rent is sufficient to cover all the normal requirements of government.

2. As to what is normal, a great deal of explanation might be necessary. Government as such is a department not of economics but of ethics. Any action which would be abnormal and non-permissible, i.e. a breach of the golden rule, in an individual is abnormal and similarly non-permissible in a government which is nothing but a group of individuals. This rules out not only all privilege and favouritism such as slavery and modifications of slavery such as monopoly and unequal treatment of landholders and non-landholders, but also our massive and irrational expenditures on armaments and on mischief such as modern 'diplomacy', and on socialistic enterprises which ignore and override human rights.

The criterion or grounds for determining what is ethical and permissible is not the decision or inclination of the government itself. There must be an objective and scientific touchstone—the natural and unalterable principles of ethics or right conduct. Justice is eternally binding on all individuals without exception, including all branches of government (legislative, judicial and executive).

3. Thus, as it is just and imperative that the community's right to the economic rent should be enforced by government, all governments are morally obliged to appropriate the rent and use it for the benefit of the community which produces it, irrespective of whether it is sufficient for all purposes or for any purpose.

4. Another intriguing point is that as the rent is produced by the whole economic community, i.e. the trading world, every government is morally bound to remove trade-barriers and to see that the world-community received the benefit of its own good government, i.e. free and without taxes as far as the rent permits.

5. A study of nature's extraordinary efficiency in her greatest masterpiece—the economy—makes it incredible to the student that in the natural order of government it could ever be necessary to resort to the highly uneconomic and inefficient forms of anti-social and self-defeating taxation to which governments now resort. This means that in the natural economic order the rent is sufficient to supply all normally necessary public revenue.



taxation of land values mistakenly hold the view that rent arises from land value'. The fact is that the value of a land title is merely the market price now for all future expected advantages, so it is the sum of all future expected rents, making allowances for any taxation and debasement of currency, and discounting the more future rents more and more heavily because of the waiting time and risk before the benefits are received.

Having dismissed site value taxation, the author seems to have left us with no clear plan which is administratively feasible. The only thing clear in the prescription is what it leaves out, which makes it considerably in contradiction to George's remedy, and it can hardly be expected to have the approval of Georgists.

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## PROPORTIONAL REPRESENTATION

### LEARNING BY DOING

A second workshop in conjunction with the Australian Democrats was held on Sunday 17 August at El Rancho Hotel-Motel, North Ryde. The half-day program was designed to give those taking part an understanding of the principles of proportional representation and some experience in actual use of the quota-preferential method. It included talks by several members of the Society and a count of an election typical of committee elections in clubs, societies, and party branches. It has been suggested that a similar workshop for member of the Society might be useful. If you would be interested, write to the secretary or telephone 498 5559. Learning by doing can be fun.

### FACTS ABOUT HARE-CLARK

The Tasmanian Parliamentary Paper *Democratic Representation under the Hare-Clark System*, by Dr George Howatt, first published in 1958, has been reprinted recently. It is available from the Government Publications Centre, 134 Macquarie Street, Hobart, Tasmania 7000. The price is \$1.00.

### PR on FM

One of our members, Mr B Musidlak, who is a post-graduate student at Macquarie University, is producing a series of programs to be broadcast by 2 SER-FM starting on Saturday 6 September at 7.30pm. The series has the title 'The People's Will' and the viewpoint of the Proportional Representation Society will be prominently presented. 2SER-FM transmits on a frequency of 107.5 MHz.

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## Letters To The Editor

Sir—The lives of vast numbers of citizens have been adversely affected by their inability to obtain land for their needs at reasonable prices.

Land speculation is harmful to the community in every way. One of its worst aspects is that individuals or firms whose main interest is in the productive processes of industry and commerce find themselves compelled to buy and

hold land in advance and in excess of their needs for expansion of their business. They do so because they fear that when they really want land the price will be beyond their means.

The publicity given to land deal scandals highlights the problem, but merely holding commissions of inquiry to probe particular deals only scratches the surface.

The solution to this whole problem is land rental taxation at an adequate level to make it unprofitable to hold land out of use and at the same time abolish taxes on production and earnings from land use.

The State Land Tax has not been high enough to kill land speculation although it worked in the right direction. It needs resurgence of last century's battlecry to 'unlock the lands'. More widespread adoption of site value rating by municipalities would also help.

A R HUTCHINSON

Melbourne

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Sir—At least 400,000 people in Australia wish to work and are unable to do so. More than 300,000 are living on unemployment benefits that are below the poverty line and in some cases substantially so. The average length of unemployment is more than six months and for many it is much longer. Yet Australia is a rich and resourceful country in which most people have a high standard of living.

'Remedial education', 'further job-oriented education', and all the other schemes for spending much taxation at the expense of purchasing power will reshape a few square pegs to fit round holes, but they do not create new employment opportunities, and the 'fund-anything-in-trouble-with-tax-money' lobbies can have no effect whatever on the basic cause of unemployment.

Charity and charity work or 'community service' projects unpaid or underpaid, and otherwise undemanded 'work' to keep the minds of the unemployed off more direct and possibly violent 'remedies' may temporarily alleviate deprivation to a small, humiliating extent. But they merely transfer a part of already restricted purchasing power; they do not increase effective demand by one cent.

There is one real cure for unemployment and therefore also for economic depressions. That is the reduction and where possible the abolition of taxation on the employment of labour, on the products of labour, and the replacement of those taxes by institution of a levy of the annual rental value of all land and natural resources, in order to at the same time prevent the private retention of those land rents and their 'capitalization' into what are currently, quite fantastic land prices.

JOHN C SHERGOLD

Melbourne

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Sir—A most important change in the method of raising public revenue in Australia followed the decision by the Federal Government to adopt import price parity for locally produced crude oil.

The decision made was to progressively review and increase the levy in line with the import parity price charged by Saudi Arabia for its light crude oils.

The decision, which was followed by unexpected increases in OPEC oil prices, proved a revenue bonanza for the Federal Government. The yield from it in 1975-76 was \$257 million but escalated to \$1,226 million in 1978-79. Last year's further move towards full import parity pricing was expected to double this figure with an estimated revenue for 1979-80 around \$2,500 million.

Though called a crude oil levy the payment is in nature the same thing as a royalty to the government, it is essentially a land rent for public property.

The Federal Government has used the levy to cut its deficit drastically. This came down from a high of \$3,478 million in 1978-79 to only \$1,900 million this financial year. This is gratifying as working in the direction of controlling inflation.

Import parity pricing of crude oil, under the stimulus of the world energy crisis, will certainly be with us for years. The windfall effect of it in swelling tax revenue is already enormous and will snowball. That increased revenue should be used to phase out income tax, payroll tax, sales tax and other taxes which rob the taxpayers of the results of their labour and others of their employment opportunities.

A R HUTCHINSON Melbourne  
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#### FIRST THINGS FIRST

Sir—With due respect for Ralph Nader's enthusiasm for prising more information out of government departments and political institutions (ref. Good Government, April) I suggest it is much more important to get rid of most of the said departments and politicians so that we won't have to worry about their secrecy. What we really suffer from is not so much secret government as over-government.

E P MIDDLETON Norfolk Island  
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#### RENT-FREE LEASEHOLDS FOR BUREAUCRATS

During the last twelve months, the Association for Good Government has again raised the matter of the scandalous situation of no rent being charged for government-owned land in Canberra.

The following correspondence (slightly condensed) indicates the attitude of those in power in Canberra. It is interesting to consider whether any of those dealing with this correspondence and also those who might have drafted and implemented the original rent cancellation, might be living on rent-free sites; not to speak of their relations, colleagues, friends and neighbours. A second consideration is that while this correspondence was in progress, there was a long drawn out wrangle between miners in Queensland and the Treasury,

concerning whether the provision of rent-free accommodation was a notional income subject to income tax:—

(1)

26.7.79

Association for Good Government  
to Commonwealth Treasurer.

#### INCOME FOR GOVERNMENT

You will of course be aware that, when the Australian Capital Territories were instituted shortly after Federation, the entire land for the ACT was purchased by the Commonwealth to be held for the people of Australia; and it was decided that any land to be occupied by private persons was to be only as lease-hold.

A main object of this was to provide revenue from site rent.

Unfortunately because of long periods between reassessment of rent, anomalies arose.

Some nine years ago, for no good reason whatever, the government of the day ceased to collect site rent from sites designated as residential.

There was no ethical or economic reason for giving some able bodied people in Canberra this tremendous economic privilege of living rent free on valuable community-owned sites.

These sites are community assets which are being freely lent to individuals at the expense of the rest of the community.

The whole worth of the sites is continually created and maintained by the community which provides the privileges, benefits, opportunities and services associated with each site.

Virtually the whole value of sites is the outcome of government expenditure on roads, bridges, freeways, parks and gardens, schools, police protection, subsidised transport, radio and TV, libraries, museums, subsidised entertainment and sporting facilities, and many other services.

The market value of all these benefits is shown as the rental worth of the site.

It is therefore absolutely just that government should charge all site holders the full market rent of each site.

This is a just, moral, and economic transaction, in which the receiver pays the provider of benefit at its market value.

The government has a duty to collect as close as possible to the full site rents for the community. If it fails to collect these rents, it is clearly giving a piece of economic favouritism to some persons at the expense of the community as a whole. That is bad government.

We therefore recommend the immediate commencement of site rent collection from all leaseholds in Australian Capital Territories.

Because people may have become used to the idea of holding lease-hold land without paying, there might be a minor element of gradualness used, by say collecting only half the rent in the first year, and the full rent thereafter. Also it might be fair to take into consideration recent premium payments paid directly to government in the two years prior to

recommencement of rent collection. These might be taken as payment for rent for say the first three years; but there should be no other exemptions or allowances.

We realise that part of the rent collected should go towards local government expenditure in ACT, and suggest that 25% of the full rent be used to provide the rate payment.

We commend this source of revenue as it is absolutely just; and it will allow a reduction of other taxes such as income tax which is a bad tax administratively and is ethically and economically unsound. — Chairman, Association for Good Government.

(2)

15.8.79

Treasurer to Association.

The Treasurer has asked me to acknowledge the receipt by him of your letter of 26.7.79, in which you urge that site holders in the ACT be required to pay the full market rent of each site.

Mr Howard wishes me to advise you that questions relating to land charges and rates in the ACT fall primarily within the sphere of responsibility of the Minister for Capital Territory. The Treasurer has, accordingly, passed a copy of your letter to Mr Ellicott, so that he may be aware of your Association's views. — Senior Private Secretary.

(3)

25.10.79

Association to Treasurer.

Land Rent for Revenue

We have your letter of 15.8.79 in reply to our letter of 26.7.79. Although you have referred this matter to the Minister for Capital Territory, we respectfully suggest that this is a financial matter for which the Treasurer and the Cabinet must take responsibility.

By foregoing this just and businesslike collection of a fair rental charge, the government is causing an unjustified increased burden on income taxes etc, or an increased deficit, which are causes of economic depression.

We suggest that the failure to collect this rent is an unbusinesslike procedure, contrary to Liberal Policy. It is giving unjustified economic privilege to some able bodied private persons, at the expense of the remainder of the community. — Chairman.

(This letter was briefly acknowledged, advising that the Association's views would be borne in mind.)

(4)

25.10.79

Association to Minister for Capital Territory.

Canberra Rents

The Treasurer Mr Howard has acknowledged receiving a letter from us (15.8.79) in which we pointed that the Commonwealth was missing out on obtaining legitimate revenue by not collecting the considerable amount available in the form of residential site rents for government lands which are at present on lease to private persons at peppercorn rentals in ACT.

GOOD GOVERNMENT

We strongly recommend that rents should be charged at their true market level and be adjusted yearly.

Such rent charges are morally and economically sound and are just payments for benefits and advantages provided by the community. There is no reason why private able-bodied persons should be permitted to hold community property rent free (with only the payment of local rates).

In acknowledging our letter Mr Howard stated that he had referred the matter to you, with a copy of our letter. We look forward to your comment.

We strongly recommend that you initiate the necessary alterations to regulations so that the rents will be raised to their reasonable market level, and adjusted annually to that level in future.

We believe that government, particularly a Liberal government, should act in a businesslike way in dealing with the community's property. There is no justification for government land to be leased to private able-bodied people at below its market value.

Such full rents should assist in reducing deficits and the deterrent taxation which are so gravely affecting the economic life of Australia.

— Chairman

(5)

10.1.80

Minister for Capital Territory to Association.

I refer to your letter of 25.10.79 suggesting that the Government is missing out on revenue by not charging land rent for land leased for residential purposes in the ACT.

A decision to abandon land rent was made by Government in 1970 and was effective from 1.1.71. This decision followed studies undertaken to devise a system of land charging which would remove the anomalies which land rent at a fixed percentage of unimproved value coupled with 20 year re-appraisements of unimproved value had created during the 1960's.

Since 1971 residential leases have been sold subject to reserve prices calculated to ensure that Commonwealth monies used are fully recouped. Reserve prices are fixed to recover land acquisition costs plus the cost of preparing the land and installing the services to all blocks within a suburb, (i.e. roads, footpaths, kerbs, guttering, drive strips, street lighting, water supply, stormwater drainage and sewerage reticulation). The average reserve price for single detached residential blocks is presently \$9,950.

At the same time general rates and municipal charges were increased so that the total amount collected from rates in 1971 approximated that previously collected from land rent and rates. Since 1975/76 rates have been levied on residential properties in Canberra to recover all estimated municipal type expenditure less a pre-determined contribution provided by the Government. The average rates bill per household is now approximately \$350 per annum, a figure which is consistent with rates payable in other Australian capital cities.

Residential leases presently only require payment of a land rent of 5 cents per annum if

and when demanded. It is not intended to alter this present arrangement. — R J Ellicott

(6)

25.2.80

Association to Minister for Capital Territory.

Canberra Rents

Thank you for your letter of 10.1.80, outlining the background to the decisions made to abandon collection of rent. We were aware of the anomalies prior to the abandonment, but the ceasing to collect the rent is a quite unjustified way of removing such anomalies, and is a gross mismanagement of the country's assets. The selling of leaseholds from which no rent will be collected is obviously a back hand way of issuing a freehold, which is contrary to the intention of the Act.

The government is selling community assets which would yield a continuous revenue to the community for ever. To continue this process is grossly against the best interests of the community. It is making a small paper money return to government now, at the sacrifice of the heritage of all Australians. It is contrary to good government. Permanent privilege is being sold to some individuals with a resultant permanent disadvantage to the rest.

We further strongly condemn the proposals to alter regulations which will result in similar unbusinesslike arrangements for commercial sites in ACT. The 'selling' of such leaseholds will not make them any more commercially viable.

It appears that the government is acting in the interest of certain small groups, rather than for the community generally.

The changing from a proper site leasehold system to what amounts to freehold results in a tremendous burden to prospective home owners, and similarly to new investors in business. The payment of a premium is an extremely heavy cost, which is equivalent to paying all future rent in advance. This greatly increases the cost of a home or business and nearly always requires heavy mortgage commitments with high interest payments over many years. This cost of land in advance puts the price of home ownership beyond what many can afford. It reduces the amount which can be spent on the building.

It is far better that home owners should be able to avoid these excessive interest payments and that they pay the site rent for the benefits which the community provides them on a yearly basis as the benefits are received. This is better for the home owners and for the community.

No doubt you are correct in your estimate of \$9950 as the superficial development cost, but the worth of a site is greatly enhanced by many other services, benefits, advantages, and opportunities continually provided at the community's expense.

The whole worth of a site is continually maintained at the expense of the community. It is only proper that the receiver of such benefits should pay the market price yearly to the supplier.

It is the duty of good government to collect these amounts yearly. No premium payment now could adequately pay for the perpetual

advantages which government will be expected to maintain for each site. — Chairman.

(7)

26.7.79

Association to Commissioner for Taxation.

Income received in the Form of Unpaid Rent.

It is clear from the Income Tax Acts that income which is received in the form of goods, services or other benefits must be included as part of income for taxation purposes. This includes income as a benefit in the form of unpaid rent.

For many years, residents in Canberra paid rent to government for their sites.

When the Territories were originated, the entire area was purchased by the Commonwealth and it was enacted that all the sites be leasehold only, with the site rents to provide revenue.

Some nine years ago, for no good reason, government ceased to collect site rents from residential sites, so that the site holders are at present living rent-free at the community's expense.

The market rent of a site is created virtually entirely by the expenditure of the community, which provides roads, bridges, parks, gardens, subsidised transport, schools and universities, police protection, subsidised entertainment and sports facilities, and many other services and opportunities. All these things continually keep the site valuable, and all are at the expense of the community. The community is therefore providing an income in the form of rent-free opportunity to all these services and benefits.

It is of course the duty of government to collect the full site rents, but while it is failing to do that an income is being provided which clearly should be subject to income taxation.

We strongly draw your attention to this situation. — Chairman.

(8)

26.9.79

Commissioner of Taxation to Association.

I refer to your letter of 26.7.79 concerning the system of residential land tenure in the ACT.

You suggested that as 'site rents' are no longer collected from the lessees of residential sites, the value of the community services and benefits they receive should be subject to income tax.

At the outset I should mention that although the Government ceased to collect land rents in respect of residential sites as of 1.1.71 this did not represent a cessation of the collection of revenue from lessees to offset against municipal expenditure. The change in the method of collecting this revenue is perhaps best explained by quoting from the foreword of the 1969/70 edition of Canberra's Municipal Accounts. The then Minister for the Interior, the Hon. P J Nixon said —

'In the construction of these Municipal Accounts, national and territorial elements have been excluded as far as possible. Although some arbitrary decisions were needed in apportioning certain costs the objects in preparing the

6. This does not mean, of course, that if governments pervert their office, as they do at present, there would be any limit to their insatiable extravagances and destructiveness. In Australia alone the unemployment caused by misgovernment and its privileges itself calls for huge expenditure in a misguided effort to relieve the sufferings caused by the unemployment. Political power creates delusions of grandeur, which in turn calls for massive expenditure on the grandeur, such as VIP aircraft (at public expense) to gratify the vanity of ministers, and the amazing cost of 'diplomacy'. But above all there is the appalling expenditure on armaments which has reached the point of virtual insanity in the arms race. Nature's achievement in providing the revenue which every community requires is outstripped by the delinquency of those who hold the reins of misgovernment. So we come back to the eternal conflict between the powers of good and evil. — W A DOWE

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## SHOPPING CENTRE SITE PRICE

The following is an extract from an article in the *Sydney Morning Herald* 25.6.80:-

At least \$4 million is expected for a prime commercial development site that has come on the market in Liverpool.

The site, covering 10,183 square metres and fronting Bigge, Elizabeth and George Streets, is thought to be suitable for a shopping or office development. The motor sales operation on the site is moving to the recently opened 'motor village' at nearby Warwick Farm.

The agent, Kenneth J Parkinson and Associates, said that no comparable site in the area had sold for more than eight years.

But prices for sites in rezoned fringe areas had risen from \$215 a square metre to \$300 a square metre in the past nine months.

The site is said to be the last major one in the commercial area with a plot ratio of 3:1, allowing a development with a floor space of about 30,000 square metres.

*Comment:* Probably the small amount of improvements on this site would be of no value to the purchaser, so that the price is an indication of the worth of the title to the land alone.

What has the seller done to create any of this site value? In fact, the whole worth of the site has been created by past expense of the community, and also by the services to be provided continually in the future. It is the continuing expenditure of the community's revenue on roads, bridges, housing, subsidised transport, police protection, schools and teachers, parks and gardens and many other services, which are the basic source of the worth of the site, and the cause of its economic advantages. Is it not reasonable that if this economic benefit is provided continually by the community then the receiver of these benefits

should pay for it continually according to its market worth. The intensification of uniform site value taxation is the most honest means of collecting revenue. — S S G.

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## HOW TO HALT THE BENEFITS OF TECHNICAL PROGRESS

The following paragraph is quoted from an article by Mr Mike Steketee in the *Sydney Morning Herald* 11.7.80, concerned with the present ailing economy of the USA:-

Those who argue that failing industries should be propped up indefinitely are like Governor Martin van Buren of New York, who wrote to President Andrew Jackson in January, 1829: "The canal system of this country is being threatened by the spread of a new form of transportation known as 'railroads'. If canal boats are supplanted by 'railroads', serious unemployment will result. Captains, cooks, drivers, hostlers, repairmen and lock tenders will be left without means of livelihood, not to mention the numerous farmers now employed in growing hay for horses ...the Government should create an interstate commerce commission to protect the American people from the evils of 'railroads' and preserve the canals for posterity."

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## THE LATE GASTON HAXO

A faithful Georgist, whose life spanned many years and many events in the movement, Gaston Haxo died February 2.

Shortly after coming to America, Mr Haxo was converted by Single Tax street-corner oratory outside the place where he was boarding. It was there that he met Oscar Geiger who later founded the Henry George School. They took part in the movement's activities, the New York State Single Tax League, the Single Tax Party, the Commonwealth Land Party.

His main occupation was bookkeeper. During the period 1937-41, he worked for the Henry George School as bookkeeper and also launched and conducted the School's new correspondence course based on *Progress and Poverty*. (Frank Chodorov was Director at the time). During this period he wrote a book, *The Philosophy of Freedom*, subtitled 'A Study in Fundamental Economics Adapted from Henry George's *Progress and Poverty*'. This was published in 1941 by *Land and Freedom*, a New York Georgist periodical. The book was welcomed by Georgists and the edition was soon sold out. A later writing was *America at the Crossroads* (1973), a booklet that emphasized the land question. It is still in print.

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GIVE LABOUR A FREE FIELD and its full earnings; take for the benefit of the whole community that fund which the growth of the community creates, and want and the fear of want would be gone. HENRY GEORGE: *Progress and Poverty*, p 461.

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## RICARDO'S LAW

WITH SPECIAL REFERENCE TO A CHAPTER IN THE BOOK  
TOWARDS A FREE SOCIETY

This commentary on Ricardo's law is to explain its unsuitability as a basis for a revenue system as proposed by Mr Middleton in chapter 20 of his book. In other chapters, the author commendably recommends a libertarian form of government, and his criticisms of a large array of other authors on socio-economic matters appear generally sound, though the extensive field covered necessitated some items being dealt with rather summarily. However, in his chapter 20 Mr Middleton says he will 'prescribe the treatment designed to cure' the ailing world.

As he has referred favourably to Henry George in earlier chapters, one would expect that he propose George's recommendation that all other taxation should be replaced by steadily increasing site value taxation on all sites to a very high level.

Sadly, not only does he fail to do that, but his prescription is incoherent. He commences favourably by saying that economic rent is the proper revenue for government, but then gives a series of odd descriptions of rent which differ greatly from those accepted by most economists. At one stage he says rent is the profit of associating, meaning presumably the gains obtained by specialisation and exchange of goods and services. But all gains of associating relate only to the two parties in each exchange. Exchanges occur because both parties benefit, no matter what they are swapping, including money. But such benefits are not rent and should not be the basis of taxation. Perhaps confusion has arisen between the association of people in transactions, and the association of people in locations, which of course makes sites valuable.

### RICARDO'S LAW

But the author then leaves the association explanation of rent, and turns to Ricardo's so called law—'The rent of land is determined by the excess of product over that which the same application (of labour) can secure from the least productive land in use'. It is suggested that most economists recognise this 'law'. Most would certainly know of it, but it is doubtful if any would accept it as a definition of economic rent, which Mr Middleton appears to. In fact the law is a childishly simplified superficial and erroneous concept of rent.

Firstly if rent is to be collected for revenue it must be in money terms. It would be absurd to try to operate in proportions of goods and services, even if the procedure was just; and it also would be absurd to have to compare sites on the basis of the same product being made on each. Clearly the rent must show itself as a market valuation of all the possible opportunities, benefits and advantages which those who are interested in the site may see in it in comparison with all alternative sites including the marginal one. Sites are not valuable only because of potential for production of material things.

### OTHER FLAWS IN THE 'LAW'

Ricardo's statement refers to the same application of labour (some quotes include capital also) but what do we find in the real world? Is the same labour or capital applied to a poor site as compared with a much better site? Obviously there is normally a greater application on the better site (higher rent site), and real economic rents are based on the applications appropriate to each site. If we did want to go along with this unnecessary surplus product calculation, how could we know the appropriate amount of labour to be used on each site, and what would we do if an inappropriate amount was being applied? Of course the whole thing is unnecessary because rents can be observed in their own market, the market prices for the privileges of being permitted to use a site for a given period.

Ricardo's Law is only a superficial and inaccurate attempt to explain what causes rent by an oversimplified example, the rents being already known from the market.

In passing, the law would also seem inaccurate in referring to 'the least productive land in use'. In fact the reference for a marginal site is the 'most advantageous site available freely'. If all land is 'taken up', then the marginal site is zero worth.

It seems that the author seeks to have residential land exempted from paying rent for revenue, and has sought to justify it by searching out a concept based only on 'product', and to do that he has chosen to quote Ricardo's inadequate explanation of rent.

It would be unfortunate if readers accepted this strange idea that rent only arises on land used to produce material things. It would be sad indeed if they thought Henry George had excluded any type of sites from his proposal for a high uniform taxation of site value. This is quite obvious from his statement in *Progress and Poverty* 'The owner of a vacant city lot would have to pay as much (in site value taxation) for the privilege of keeping other people off it as his neighbour who has a fine house upon his lot'.

Although Mr Middleton talks about his formula, it is not quite clear what it really is. If he really is suggesting that the excess product (or its money value) above a specified marginal amount should be taken from all sites, then no sensible person would produce more than that minimum (and there would be no revenue). But although he is not specific about it it seems he might be suggesting that heavy land value taxation could be applied only to land actually in production.

However in some later remarks, he appears to suggest that land value is not a suitable basis, because of speculative values. He does not seem to understand that high rates of site value taxation would remove speculative holding of idle sites, and also would tend to make the title prices relate almost entirely to current rents rather than to future rents. In passing one must deny his statement that 'advocates of

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accounts have been to show the financial results when the expenditure and revenues normally met with in Australian cities are brought together for Canberra.

Thus on the expenditure side the costs of water and sewerage, building inspection services, waste collections, street lighting, swimming pools, libraries, neighbourhood parks and sportsgrounds have amongst others been included. Charges for national features such as major road works, lake Burley Griffin and the parks and gardens in national or territorial areas of Canberra (including the Commonwealth Gardens and the Canberra Botanic Gardens) are omitted. On the revenue side the Accounts include revenues of a municipal character such as rates and water charges.

The future position regarding these items requires a word of comment. From 1.1.1971 land rent will no longer be demanded. A rate will be struck for the period 1 January to 30 June 1971 in order that from then on the rating year will coincide with the normal Government financial year. The total return in the first half of 1971 from rates and water and sewerage charges under the new system will approximate the amounts which would have been received for land rent, rates and water and sewerage charges under the existing system in that period.

Under the new system there will be higher revenue from rates and some increase in water charges. There will be no revenue from land rent.'

I think that the above makes it clear that with the cessation of the collection of land rents on residential properties there was a compensating increase in other rates paid. General rates, which relate to expenditure of a municipal nature, other than on water and sewerage expenses for which separate rates are paid, are levied on the unimproved value of all rateable land. The unimproved value for rating purposes is revised every three years. The general rate in the dollar is set each year by the Minister for Capital Territory having regard to the levels of estimated expenditure in Canberra and the trends in municipal rates in other capital cities.

You will appreciate from the above that like the residents of other Australian cities the residents of Canberra are required to pay rates to provide revenue to offset against municipal expenditure. Although the community as a whole could be regarded as receiving a benefit from any Government subsidy to cover a shortfall of revenue, it would not be possible to allocate the benefit to individuals other than by using, at best, an arbitrary method. In any event, under the current terms of the income tax law, such a benefit would not be of an assessable nature. The position would, of course, be analogous to that of the Government's Local Government Grants. No attempt is made to assess the resident of municipalities receiving such grants on the value of any benefit received.

While it is true that section 26(e) of the Income Tax Assessment Act provides that certain benefits, allowances and gratuities, must be

included in a taxpayer's assessable income, such action is specifically limited to those cases where the benefit, etc, is allowed, given or granted in respect of, or for or in relation directly or indirectly to, any employment of or services rendered by that taxpayer. You will appreciate that this provision would not bring into assessable income a benefit of the kind you have in mind. It would require an amendment of the law to achieve that result.

I trust that the above has clarified the matter for you. — Senior Assistant Commissioner

(Cont. in next issue)

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## MORE QUOTATIONS FROM SCRIPTURE

### INCREASE IN CRIME

This is a great worry to many good people who nevertheless do not seem worried by our many unjust laws. *Proverbs 29.16* says: When the wicked are in authority transgression increases.

When justice is done, it is a joy to the righteous, but dismay to evildoers.

—*Proverbs 21.15*

Evil men do not understand justice, but those who seek the Lord understand it completely.

—*Proverbs 28.5*

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

1st Tuesday, 6p.m.

Australian School of Social Science.

2nd Tuesday, 6 p.m.

Henry George Foundation and  
Association for Good Government.

2nd-Last Wednesday, 7.45 p.m.

Social Science Club  
(No January 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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