BOOKS BY HENRY GEORGE

"PROGRESS & POVERTY"

"PROTECTION or FREE TRADE"

"THE SCIENCE OF POLITICAL ECONOMY"

"SOCIAL PROBLEMS"

"THE PERPLEXED PHILOSOPHER"

"THE CONDITION OF LABOUR"

OTHER BOOKS AVAILABLE

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"HENRY GEORGE ON ECONOMIC JUSTICE" — Selected by A. C. Auchmuty

"SIGNIFICANT PARAGRAPHS FROM 'PROGRESS & POVERTY'" —

Selected by Professor Harry Gunnison Brown

East, Ronald

In a Family Biography

A distinguished Engineer and Administrator

Sir Ronald East

tells of

The Effects of a Book

"PROGRESS AND POVERTY"

on his

Thinking and Activities

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"A SOUTH AUSTRALIAN COLONIST OF 1836 and his DESCENDANTS"

1972

Eildon Dam

THE AUTHOR – SIR RONALD EAST, Kt., C.B.E., M.C.E. (Melb.) – a distinguished engineer and administrator – was Chairman of the Victorian State Rivers and Water Supply Commission for the record term of 28 years, and directed the planning and construction of developmental works of very great magnitude. They included the Eildon Dam, which, at the time of its completion, provided the largest man-made reservoir in the Southern Hemisphere, and the Rocklands, Cairn Curran, Tullaroop and Eppalock reservoirs as well as irrigation and drainage undertakings, town water supplies and river improvement works involving in all the expenditure of more than $250,000,000 throughout Victoria.

He was also the Commissioner representing Victoria on the River Murray Commission from 1936 to 1965 and a member of the Commonwealth-State Committee which evolved the great Snowy Mountains Project. His work in connection with Water Conservation was recognised by a C.B.E. in 1951 and a Knighthood in 1966.

In 1952 he was President of the Institution of Engineers, Australia, and for the period 1959-62 was a Vice-President of the International Commission on Irrigation and Drainage. He was the recipient of awards from Engineering and other professional societies and from the University of Melbourne for his engineering and other achievements.

Introduction

In an address given in Melbourne Sir Ronald East told his listeners how he had first come into contact with Henry George's classic book on political economy – "PROGRESS AND POVERTY", and how it had so greatly influenced his later thinking and activities.

He later included the text of this address in his family biography "A SOUTH AUSTRALIAN COLONIST OF 1836 and his DESCENDANTS" and it is now reprinted in this booklet.

TRIBUTES BY OTHERS

Since Henry George wrote "PROGRESS AND POVERTY" many years ago, millions of copies have been printed and sold in a score of languages, and many famous men have paid tribute to the book and its author.

"Probably no other writer has ever made the study of economics so interesting to so many readers as has Henry George"

Harry Gunnison Brown
Professor of Economics,
University of Missouri

"We find in 'Progress and Poverty' the analysis of a scientist combined with the sympathies and aspirations of a great lover of mankind. There have been economists of great repute who in their pretention to be scientific have ignored the most significant elements in human nature. There have been others who were emotionally stirred by social ills and who proposed glowing schemes of betterment, but who passed lightly over facts. It is the thorough fusion of insight into actual facts and forces, with the recognition of their bearing upon what makes human life worth living, that constitutes Henry George one of the world's greatest social philosophers".

Professor John Dewey
Columbia University

It would require less than the fingers of two hands to enumerate those who, from Plato down, rank with Henry George among the world's social philosophers.

No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker.

John Dewey,
Professor of Philosophy,
Columbia University

People do not argue with the teaching of George: they simply do not know it. The teaching of George is irresistibly convincing in its simplicity and clearness. He who becomes acquainted with it cannot but agree.

Leo Tolstoy

Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, artistic form, and fervent love of justice.

Albert Einstein

Henry George was a master of English: one of the greatest that ever used a pen . . . He was one of the real prophets of the world; one of the seers of the world . . . His was a wonderful mind; he saw a question from every side: his philosophy appealed to every school . . . Henry George wrote a profound book; the first book on political economy, and perhaps the last, that was readable to plain, ordinary men.

Clarence Darrow,
Leading Lawyer in U.S.A.

There never was a time when the need was greater than it is to-day for the application of the philosophy and principles of Henry George to the economic and political conditions which are scourging the whole world. The root cause of the world's economic distress is surely obvious to every man who has eyes to see and a brain to understand . . . Permanent peace can only be established when men and nations have realised that natural resources should be a common heritage, and used for the good of all mankind.

Philip Snowden

We are going through a period in Australia today when the truths espoused by Henry George are becoming so manifest that I believe people are going to be much more receptive to the philosophy of Henry George than they have ever been. The rising price of land . . . is plaguing the pockets of so many young people . . .

Hon. Clyde Cameron, M.H.R.
Minister for Labour and Industry

The Effects of a Book
on the thinking and activities of An Engineer who became a Leader in his Profession and a distinguished Administrator in the field of Water Conservation.

Reprinted from his book

A SOUTH AUSTRALIAN COLONIST OF 1836 and his DESCENDANTS

In 1930, when the World Depression was at its worst, Mr. East was induced to read a book with the title *"Progress and Poverty*. This book influenced him so profoundly, and so widened his understanding of what was happening in the world around him, that it changed the whole course of his thinking and affected nearly all that he did or tried to do throughout the rest of his life.

Thirty-five years later, he was asked to give the Commemoration Address at the Dinner held annually to mark the birthday of the man who wrote *"Progress and Poverty"* - Henry George.

He gave the talk in Melbourne in October 1965. In view of its significance in throwing light on Mr. East's career, lengthy extracts from it are considered to be appropriate to this biography. He said:-

"I was thirty years of age before I heard of Henry George.

That statement is quite significant, because it means - although some of you might strongly dispute it - that Henry George was - and still is - to most people - to educated and uneducated alike - absolutely unknown.

I had gone through College - done well in history - as it was taught - and other subjects which were regarded as essential for a liberal education. I had completed a four-year engineering degree course at the University - interrupted by overseas travel with the First A.I.F. I had been brought up in a home with a very extensive library of many hundreds of books - and had taken part in many inter-club debates - and for eight years after graduation had worked as an engineer under a man of whom

I can still say that he was the ablest, most versatile and best read man I have ever met - a man who wrote widely and with great authority on many subjects. His writings still remain as authoritative references on these subjects. And yet, until 1930, I had never heard of Henry George.

When first it was decided that I should become an engineer, I do not know, but it was certainly when I was very young. Naturally at school I turned to mathematics and science more than to other subjects - although I studied history and languages - and later, when my engineering training really commenced in earnest, there was little time for other interests. There were then and there are now very few spare hours and very brief vacations in an engineering course.

My course was interrupted by World War I - but my service was with a technical unit - the Flying Corps as it was then called - and I eventually returned to complete my studies. All examinations over, I started work. I was an engineer. For 8 years then engineering claimed my whole attention. My working hours were given to the design, construction and administration of engineering works - and most of my leisure moments to reading about them.

Naturally inclined to study - and every professional man must be - I continued to study, and it was engineering that I studied. Such research work as I undertook was of an engineering nature. Such papers and articles as I prepared were for engineering societies or for the engineering press.

In short, I became a highly trained and experienced engineer - and nothing else. To matters other than engineering I gave no very serious attention. Of politics I had little knowledge, and for politics I had no respect. I had at one time bought textbooks on Political Economy and borrowed lecture notes on Psychology, Logic & Ethics - really with the idea of collecting another University Degree, but these subjects seemed as dry as dust, unreal and hazy. They seemed to lack the law and order of engineering - they seemed to consist of the vague notions of men far from convinced of the truth of their own theories, and quite unable to apply them to any useful purpose.

I left these apparently futile subjects for the real order, logic and satisfaction of engineering.

The professional economist seemed satisfied to detect mere tendencies in economic life. The engineer in his profession sought for underlying, unvarying natural laws, and having found them, built his theories and his structures accordingly.

Lewis Ronald East

All great truths are fundamentally simple. The complicated, conflicting theories of the different schools of economists were far from simple, and the passage of time showed most of them were far from true. Political Economy, as taught in most of the universities of the world, obtained - and deserved - the title of the "dismal science", and economists were derided by the politicians, the press and the public. As I have said - I returned to engineering.

Forced by the law to exercise a vote from time to time, I voted. Born a conservative, I voted accordingly. Had I been born Labour, I would, no doubt, have voted Labour.

I was certainly not indifferent to the poverty and distress of the unemployed, to the constant strife between Capital and Labour, to business difficulties and international discords, but I felt that all these things were unfortunately inevitable and quite beyond human control. I was as ready as any to comment and criticise, but I was as about as useless as most when it came to constructive suggestions for social betterment.

Then, in 1930, when all people were caught up in the toils of the Great Depression, I met a man who became my friend. In discussions on social problems we seldom agreed. In almost every direction my friend countered my arguments and disturbed my ideas. Most of the problems that loomed large in the public eye, he dismissed as of only minor importance, or as arising out of deeper causes unsuspected by those who write for papers. He laid great stress on the evil effects of tariffs in creating unemployment. He claimed that "protection" was a fallacy that traded as a good name.

To me it seemed that tariffs, even if they did not create employment as they claimed to do, at least could not reduce employment. Britain - practically Free Trade then - had her employment problem no less than protectionist America. My friend claimed that the hidden spring from which came nearly all our social disorders, nearly all our want and misery, our class distinction and hatreds - yes and wars too - was the land problem. By that he did not mean anything to do with farming. He meant the disposal of the land surface of the earth to individuals to have and to hold, to use or abuse, to occupy or hold idle, to speculate in or to hire out to those who would use it - whether for factory or farm, for home or for any other purposes. He called it land monopoly and land speculation.

This to me was ridiculous. He constantly referred to a book - a book of which he said that some three million copies had been sold - and yet of which I had never heard. That book was "Progress and Poverty" and the writer was Henry George.

My friend seemed to have obtained most of his ideas from this book. He asked me to read it and to criticise it. At last I took a copy. I commenced to take notes, to look for faults and fallacies. I soon became interested, and very soon realised that I was in the presence of a master not only of language, but also of thought, as, in simple lucid sentences he unravelled the tangled skein of social problems, and drew together into one harmonious whole the apparently disconnected threads of science and sociology, of production and politics, of human passions and natural laws.

The baffling problems of equating production and consumption seemed no more a problem. The apparent contradiction and lack of purpose in social affairs were no longer contradictions and no longer without purpose. Seeking the cause of poverty in the midst of plenty, of increasing want with increasing wealth, the writer led me, step by step, from production of commodities to their distribution and to their final end in consumption. Seeking the hidden cause that clogs production, that impairs distribution, and that prevents consumption, he subjected accepted theories to the clear light of pure logic and, taking nothing for granted, gradually cleared from the problem its encumbrances of traditional misconception and confusion until it stood out sharp and clear for all to see.

Stripped of its trappings, the problem was clear, and the answer was obvious. The cause of poverty was found - but not so the solution. I read on. The writer continued. Suggested remedies; Socialism, Communism, Monetary reform, and other proposals were outlined, discussed and shown to be fallacious or insufficient. Then, with the insight of genius, he turned his searchlight on the vital spot and showed that a very simple step, a ridiculously simple re-adjustment of taxation would effect a total cure. It seemed too simple - you all know the Bible story of Naaman the leper and the simple cure that he at first rejected with scorn. The logic of Henry George, however, could not be gainsaid. Tolstoi said:-

> *"People do not argue with the teaching of Henry George. They simply do not know it. Those who become acquainted with it cannot but be convinced."*

And I was convinced, not only of the truth of his economic analysis - which by the way no economist of repute now denies - but also of the efficacy of the remedy he proposed. Since reading that book - the most intensely interesting and illuminating book I have ever read, I have found that Economics is a living vital subject that is pulsing with life and

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permeates practically every thought and action of man.

I have since read the works of many economists of many lands, of Britain and America, of France and Italy, of Germany and Russia. All that I have read has added to my belief in the truths expressed in "Progress and Poverty".

The movement inspired by Henry George was so world-wide that the name "Georgean" had been well established, and prominent men to whom this name might apply included the founder of the Chinese Republic Sun Yat Sen whose reform was cut short by his death; the builder of the Panama Canal, General Goethals; the Chancellor of England, Lord Snowdon; Herbert Morrison and Winston Churchill. These men, and hundreds of other great men of our times, have worked towards the ideals for which Henry George had laboured, and have publicly again and again acknowledged the debt they felt they owed to his writings.

Henry George wrote at the conclusion of "Progress and Poverty":

> *"The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured. But it will find friends - those who will toil for it; suffer for it; if need be to die for it. This is the power of truth."*

I have told you of the effect that book had on me. Now what was I to do about it.

I sought for and read all I could find of the writings of Henry George and of many others - like Max Hirsch - whom he had inspired.

I considered the possibilities of entering politics, and joined a political movement - the Young Nationalists. I attended classes in Public Speaking run by that organisation, and also classes provided by what was then known as the W.E.A. or Workers Educational Association.

At a large Conference of the Young Nationalists organisation held in Ballarat in 1932, mine was the only voice raised against the ratification of the Ottawa Agreements of Imperial Preferences then being negotiated, and the only voice urging the adoption of Proportional Representation for State and Federal Elections. At a later Conference at Healesville I urged - unsuccessfully - that the province of government was to provide only those services and carry out only those undertakings that could be

more economically or efficiently carried out by centralised authority than by individuals or groups of individuals. That was in 1934 following a candid public admission by Mr. Menzies at that conference that he had changed his opinions on the vitally important matter of government interference in industry and was convinced that some interference was essential.

By that time I had become a Councillor of the Shire of Blackburn and Mitcham. It was a useful experience. I accepted every invitation given to me to speak to Men's Societies and other groups and gave dozens of talks - many based directly on the famous addresses of Henry George - *"The Crime of Poverty", "Moses the Law Giver", "The Labour Question"* and so on, and many developed from George's writings with such titles as:-

"Causes & Effects", "The Laws of God and the Laws of Man", "Christianity & Speculation", "The Triumph of Lost Causes", "Full Employment", "The Futility of Disarmament"; and so on.

In 1933 - with economic chaos all around us - with Hitler rising in Germany - I gave an address from the pulpit of the Blackburn Presbyterian Church on the subject *"Today and Tomorrow".* The younger folk here will not remember 1933, and I propose to quote something of what I said on that occasion.

"Today we are living in what appears to be one of the most dramatic periods in the history of civilization - in a period when economic systems have broken down - when governmental institutions are in the melting pot - when international trade is at a standstill - and international relationships are strained to a breaking point. At this time, in the shadow of great events, with the certainty of momentous changes in the immediate future, men look ahead from month to month with fearful expectation. All is uncertainty and doubt. It is my firm belief that there never was a time when humanity was more anxiously searching the heavens for a sign - any sign - that might lead them from uncertainty, instability and chaos to security and peace such as seems to have gone forever.

The very foundations upon which we have built our civilization are crumbling away - the feet of clay are breaking up - and the vast superstructure of production, distribution and exchange, upon the preservation of which depend our very existence, is tottering around us. Daily our papers record frantic attempts throughout the world to stave off disaster, and daily we read of their failure. Of talks and parleys, and conferences there

is no end; but of effective action there is little evidence as yet. Until men make up their minds what they are trying to do, they cannot act effectively; and most wait with timid hesitation for someone else to show the way.

With the knowledge of millions of empty mouths, we no longer talk of over-production; and yet in a vain endeavour to bolster up prices, we seriously propose to restrict the world's food supply - to restrict its wheat, and its butter, and its meat.

With the evidence of strangled trade and increasing unemployment, we no longer believe in national self-sufficiency, and yet we maintain the tariffs that prohibit recovery. In the face, throughout the world, of millions of idle hands demanding work, millions of idle pounds awaiting employment, and millions of idle acres ready for use, we are yet blind to the essential connection between idle lands and idle hands.

Do you believe, men and women of Blackburn, that God so designed this earth that, for millions of his creatures there can be nothing but starvation and distress, that to millions of business men there must come failure and bankruptcy, that millions of farmers must inevitably be ruined, all of which has happened to workers, business men and farmers wherever Western Civilization has gone - even in the height of so-called prosperity? Do you believe that the world and its natural laws are so imperfect, so unjust, that these things are inevitable?

I don't. I believe that, but for the blind selfishness of man - of you and me - this world would be a Kingdom of Heaven Upon Earth. I believe that if Christ's teaching "Thou shalt love thy neighbour as thyself" were understood, there would be seen clearly a path before us, which, if followed by any people in any age, would make of their world a place of happiness and security, of beauty and prosperity. There would be no need to ask for sacrifice, to ask even for unselfishness, for if this saying were understood with all its economic implications, men would discover that in actual fact he that gives shall receive again - while he that takes shall and must lose all. It is ignorance - not selfishness alone - that stands between mankind and happiness. Selfishness and ignorance go hand in hand.

The Old World, the world that is tumbling about us, is not the world we want today. The old world, that has failed to meet the need of Mankind, was a world founded upon - not Man, but Mammon - not Morality, but Property. Why, for one law to protect the rights of Man, we have one hundred to protect the sacred rights of property. For every war fought for liberty, there

have been one hundred fought for territorial or commercial plunder. To me, the greatest tragedy of the last war was the sacrifice of man before money. Men gave their services and gave their lives for what they felt to be the call of duty. In the stress of conflict, sons and husbands and fathers of little children were torn from their families - in most countries compulsorily - to feed the guns. But the veriest whisper that wealth also should be pooled to win the war, that wealth should be conscripted even as human life was conscripted, sent a shudder through civilization. Take our sons, take our brothers and our fathers, but leave us our possessions - and in no country was wealth conscripted. We in Australia were no better. We, in Blackburn, were prepared to send our men, and to go ourselves, but, were we prepared to sacrifice our bank balances and to give up our possessions to the call of patriotism? No! We were not. Those of us who could, in the name of patriotism, lent our money to our country in its dire need - at 6%.

And yet, we are not a wholly selfish people. As individuals we are mostly well-meaning and kindly disposed towards our neighbours. But collectively, as business organisations, as political parties, and as national groups, we are greedy and grasping, selfish and ruthless, and entirely without Christian charity. In our business and political relationships humanity and morality play but little part. At the bidding of vested interests, or at the dictates of party politics, governments do not hesitate to misuse their powers. Tariffs, embargoes and prohibitions exploit the many to enrich the few. Concessions, and privileges, passed with lavish hands to the importunate, make an intolerable load on those to whom the burden is shifted.

In our international relationships we have been no better. We are reaping in Europe today the inevitable consequences of a cruel and selfish Peace.

The Germany that cast off the Junkers and exiled the Hohenzollerns looked to the world, and to Britain in particular, for justice and generosity and received, what? Do you realize that for nearly a year after the Armistice, when all our returning boys were home with their families, the Naval Blockade of Germany was continued with all its severity, that in Germany in that year there died of starvation more than 700,000 little children and old people. Christ's teaching "If thine enemy hunger, feed him" formed no part of our international policy of those days of tragedy. I myself, as a soldier in the Army of Occupation, saw little German children, their faces wan and

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pinched but cleanly washed, their clothing worn but neatly mended, crowding around our military cookhouses, plunging their little skinny arms into the barrels that contained our kitchen refuse that they might obtain morsels of food for their family tables. And what of the terms of the Peace itself? The Allies demanded a total indemnity ranging into fantastic figures, beyond all the available gold in the world. They demanded immediate payments which would cripple German industries and make slaves of her people. And yet, unarmed, ringed about by enemies, powerless, she had to submit to those impossible terms.

If in pre-war Europe there was cause for war, in post-war Europe there is cause a thousandfold, and war is delayed solely by the poverty of her peoples. After the "war to end war", in the peace that began with the ideals of President Wilson, and ended with the hatreds of Clemenceau of France, a peace in which there is not the slightest evidence of Christianity we have sown the wind. We have yet to feel the full force of the whirlwind.

Currency troubles, trade dislocations, bankruptcies, unemployment and even wars are but the symptoms of an underlying disorder, a basic wrong, deep-seated in our social system, a wrong that must be righted before these ills can be cured. .....

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Do you realize that nearly all the benefit of mechanical invention and discovery, of scientific and agricultural development, of improved methods of business and increased efficiency of labour go, not to the worker, not to the employer, not to the investor in industrial stocks, but to the investor in LAND. It is thus that great fortunes are made. It is thus that men retire, not on the fruits of their own labour, but on the labour of others.

Are these things right? Have you ever questioned these things? Have you ever wondered whether unearned increment was right or wrong?

In agony a new world is being born today. Is it to be a world of love and charity, of justice and freedom, of happiness and prosperity, or is it to be a world of oppression and tyranny, of hatred and bloodshed, of starvation and death?" This was said in 1933.

I wrote much that was published in newspapers - particularly on *"The Transport Problem"* urging that the interest on the capital cost of railways should be met from the land values created by the railways, and similar subjects urging the taxation of land values.

Towards the end of 1934, quite unexpectedly the Minister of Water Supply sent for me and told me that the Government intended to have me appointed a Commissioner of the State Rivers and Water Supply Commission - to take office on February 1, 1935.

I had never dreamt of reaching such a position of responsibility - but it did not take me long to realize that such an appointment offered opportunities of contributing to public welfare much more than I could, with reason, hope to contribute if I continued with the idea of endeavouring to get into Parliament. I, therefore, resigned from the Young Nationalist movement, and did not seek re-election as a Municipal Councillor at the end of my three-year term.

He then spoke at length about the work of the State Rivers and Water Supply Commission as it affected land values.

It was in 1943 that I put before the Victorian Parliamentary Public Works Committee the idea of a State Development Tax. That Committee was enquiring intc a water storage project of doubtful economic merit, and I wished to be able to give in evidence a rational analysis of "relative desirability" of various public works of a reproductive nature. In collaboration, the late J. A. Aird and I evolved some formulae relating the relative desirability of works with gross production and the annual cost of the works. This evidence was presented as "Some notes on a post-war problem. The Financing of Developmental Works".

I do not, in this address, wish to refer in detail to this part of my evidence, but will say what led to the suggestion for a State Developmental Tax.

Early in my evidence I said: "The real profits resulting from irrigation development lie not in the sale of water but in the increases in business activities and in land values resulting from that development - and these increases are not by any means confined to the farm lands on which irrigation is carried out. On the contrary, they are largely in the urban areas".

It was mentioned that: "The great Assuan Dam, which supplies the Nile Valley, was financed by an increase of £0.5 per acre in the Land Tax over the very large area which received supplementary summer irrigations from the reservoir", and that "part of the cost of the Sydney

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Harbour Bridge was met by a "Betterment Tax" on land values."

Reference was made to a proposal for financing railways put forward by the Honourable D. McNamara, M.L.C. I said *"A Member of the Legislative Council, a number of years ago, published a pamphlet dealing with railway problems and suggested that the interest charged on State Railways should be met from the proceeds of the Land Value Tax and that railway fares and freights should then be reduced by the full measure of the tax. He estimated that - even allowing for an exemption on unimproved land values up to £500 - fares and freights could then be reduced by some 25%.*

This reduction would, undoubtedly, have been of marked advantage to primary producers and to other country dwellers who are very greatly affected by freight charges which reduce their returns from all they sell and increase the cost of all they buy.

Reductions in rail fares and freights would also reduce the ability of road hauliers to compete with the railways over long distances, where loading and delivery costs do not represent a large proportion of the total cost of transportation.

From this it was a natural step to suggest a wider application of the principles suggested by Mr. McNamara and to propose a State Development Tax to cover all State developmental works.

My evidence went on "In order that the financing of post-war developmental works should be placed from the outset on a systematic rather than a haphazard basis, it is considered that capital liabilities in regard to all State developmental works - past and future - might with advantage be grouped in a single account to be known as the State Development Account - with, of course, appropriate subdivisions for the various activities such as Water Conservation, Roads, Railways, Regional Planning, Soil Conservation - and that interest charges might well be met from a special tax designed to distribute as equitably as possible the cost of developmental works over the owners of properties benefiting both directly and indirectly from the works.

If all developmental works are included in the proposal, then a uniform tax on land values without graduation and without exemption would effect the fairer distribution of cost. Such a tax would be properly called the State Development Tax.

It would be simple to assess, and impossible to evade. It would not penalise industry or increase the cost of living, but it would reduce land

speculation and it would transfer a good deal of the burden of taxation from rural industries and farms where land values are relatively low, to the cities where land values go to thousands of pounds per foot frontage or hundreds of thousands of pounds per acre.

The levying of a State Development Tax would, of course, involve the abolition of the present Land Tax, and also the reduction of other forms of State rates and taxes, including Water Rates, Rail Freights, Motor Registration Fees, etc., to the extent that they provide for interest on capital expenditure.

The outstanding advantage of a State Development Tax is that revenue from the tax would automatically expand to meet the increasing cost of financing new developmental works, expenditure on which, if they were truly developmental and profitable as already defined, would be reflected in increases on land values in town and country at least equal to the total expenditure.

In my conclusions I said *"It is essential for the community to rethink its attitude towards public expenditure on developmental works, and to decide whether it can afford to subsidise such works largely for the benefit of the limited section of the community which receives practically the whole benefit in unearned increment."*

The parliamentary committee caused the notes on the Financing of Developmental Works to be printed in full as an appendix to its report. (Parliamentary Paper 3972/43)

In 1944 there was arranged at the University of Melbourne a series of lectures on *"Realities of Reconstruction"* commencing with one by Dr. G. L. Wood, Associate Professor of Commerce on *"Post-War Economic Policy"*

At short notice I was asked to give the last of the series of eleven lectures, and I used for this lecture the text of my evidence to the Parliamentary Public Works Committee on *"The Financing of Public Works"*.

It was subsequently printed in booklet form by the University Press and has had quite a wide distribution. Extracts from it appeared in the Engineering News Record of U.S.A., in Canadian and South African papers as well as most, if not all of it, was printed in the U.S.A. Congressional papers as a consequence of it being read as part of his evidence by a witness to a Congressional Committee.

Whether all this has had any useful results, it is not possible for me to say - but it may have sown some seeds which will some day germinate.

Retirement from the position of Chairman of the Melbourne Division of the Institution of Engineers, Australia, in 1945, gave me the opportunity of talking to members on any subject that I might care to choose. A Past Chairman frequently spoke on his life's work, and I would have liked to have talked on the *"Future of Water Supply in Victoria"*. However, it had been increasingly borne upon me that that was not the subject on which I should speak - there was a far more urgent and far-reaching aspect of engineering of which I had been permitted to see a little, and of which I should speak.

I gave the title of my addresses *"The Faith of an Engineer"*.

As this Address has been printed by the Instititution in its Journal and as reprints are available,* I do not propose to say very much from it.

I mentioned the fallacious idea that machines create unemployment. The truth is, of course, precisely the opposite. The scientist and the engineer had provided opportunities for the employment of millions of men and women who had been enabled to attain a standard of living far above that of the peasants of countries which have not yet reached the machine age.

However, I drew special attention to the question of benefits from engineering works. I set out to show that benefits from these works, frequently quite spectacular, went largely to the fortunate owners of land in areas which received the benefit of public expenditure.

I said that the investor in vacant land was not an accidental beneficiary from public expenditure. He was a calculating and deliberate parasite. He himself would not realise this. I said that the investor and speculator in vacant home sites was undoubtedly "public enemy No. 1" as far as housing and industrial development was concerned; for his activities first in buying and then in holding sites, forced up the cost of land to those who required sites for homes or factories. This was said in 1945 - since then we have seen an amazing and shocking development of land price inflation by these means. Then in my Address, I said that the present market value of vacant or partly used land adjoining great cities was due to the withholding of these lands from the market until the demand for land was so great that the owners - or speculators - could not resist the offers they received from persons urgently needing sites for homes or factories or other uses, then they sold and valuers noted those sales as determining values. I mentioned that a remarkable but little known consequence of rating or taxing on land values was its effect in reducing

* From the Henry George League, Melbourne.

the selling price of vacant land enabling home builders to purchase sites on more reasonable terms, and benefiting tenants by lower tentals.

I then went on to speak of what is well known to all of you - the effects of the transfer of municipal rating from rental values to land values. Commenting on the anticipated tremendous programme of post-War reconstruction works, I mentioned that the cost of public works was seldom shared by individual taxpayers in porportion to the benefits they received from the construction of those works, and that it was very largely public expenditure for private profit by a relatively few individuals.

Unearned fortunes were made only from expenditures by the community. I quoted a British Engineering Journal which had about that time drawn attention to the fact that increasing numbers of people who vaguely professed liberty believed it to be no longer possible and, to obtain freedom from want, were prepared to accept throughout their lives the regimentation and bureaucracy of socialism. I said that I did not hold with that view, nor did I believe that the surrender of liberty to the State was necessary or desirable. I concluded by saying that we had gone wrong on the land question, and that everything else had gone wrong automatically. I said that I believed that there was no greater or more urgent task of leadership for the engineer, than to help the community to a clear understanding of the simple economic laws that govern the distribution of benefits from human activities.

Another opportunity came in 1953, when I retired from the position of President of the Institution. This Address too, was published in the Journal of the Institution, in March 1953, and I do not propose to do more than give some extracts from it. The subject was *"Engineered Progress"*.

"The contrast, between rapidly accelerating progress in engineering and other technical matters, and increasing confusion in economic and political affairs of recent years had led many to conclude that man's technical progress menaces his very existence. These people would like to call a halt to science. Few have tried to seek reasons for the contrast between progress in science and lack of progress in human relationships.

There is in this field much room for thought - it may indeed be that the reasons for the contrast are in fact just differences in ways of thought in engineering and science, and ways of thought in other fields.

Every engineering plan is a forecast. It is a forecast that forces will be of certain magnitude and that materials will act in certain ways.

Lewis Ronald East

In other fields of human endeavour forecasts are notoriously risky. Why are engineering forecasts almost invariably correct?

I think the answer to this question is that the engineering planner studiously avoids wishful thinking. He earnestly seeks the truth in regard to the forces that will affect his structures or machines and the strength of the materials which will resist those forces. He seeks out and applies the "laws" of nature. It does not even occur to him to question the fairness or unfairness of these "laws", or phenomena or their political acceptability. He knows that in nature there are no rewards and no punishments: there are only consequences. Errors of thought in science once detected are soon discarded, and are seldom if ever revived. That is not the case in economics.

A hundred years ago, Buckle, in his "History of Civilization" was confident that the fallacies of "Protection" had been so fully exposed that they would never again delude enlightened men. He would have been astounded could he have known that, in the twentieth century, trade between the great Nations of the world would be strangled by tariffs, embargoes and restrictions to the extent we find it today. We conducted trade wars with our closest allies - even with Britain whose strength was absolutely essential to our security.

We as individuals gladly sent scores of thousands of food parcels to Britain, but as a Nation do our best to build up local industries under high tariff protection and so leave as little opportunity as possible for British manufacturers to sell their goods in Australia.

We Australians should take that admonition well to heart. How few, how pitifully few men and women in Australia have the initiative and the courage to say publicly or write anything that is either critical or condemnatory about the policies or actions of their government. Would it be one in ten thousand? I doubt it.

When governments have planned and announced highly controversial actions that have had the most serious consequences on the lives and fortunes of Australians, people protesting have been told to "keep out of the ring" and they have kept out. The sturdy independence on which so many pride themselves simply does not seem to exist. Someone has said that Australians are a race of "knockers". Except in the realm of sport - for great sportsmen are given real honour by all - Australians seem to delight in pulling down those who rise above the crowd - in intellect, in business or in politics. There seems here to be a complex against success and against profits and that is very bad for the community - perhaps the absence of such a complex in America is one of the reasons for the remarkable development of that country.

Although not written that way in the standard textbooks on Economics, I think it can be readily demonstrated that fundamentally wages are a share of the profits. It should be self-evident that there is no crime in profits. Condemnation of profits usually comes from those who have never made any profits, and who have no very clear idea of what profit really is. The real cost of production is the material used up in production. The surplus over the real cost of production is all profit and it is divided between the worker who receives wages, the investor or moneylender who receives interest and the landowner who receives rent. If there is no profit, there can be no wages, no interest and no rent.

It had long been accepted that the physical world we live in is governed by natural laws. I believe that human behaviour is similarly governed and that desire is an emotion divinely installed in the human heart for a deliberate purpose by the Creator.

The profit motive - human desire - had not only made possible the amazing human progress recorded in history, but had been the basic cause for that progress. Without a profit motive, there could be no material progress; in fact, no desire for any progress. The desire for increased wages by an employee and the desire for better returns from an orchard or farm is nothing more nor less than the profit motive. Acquisition or the receipt of something, whether wages or dividends, is in itself neither good nor evil. The good or evil is in the way the thing is acquired and in the use that is made of it after acquisition. The real issue is "had value been given for value received"? There could never be something for nothing. If anyone appeared to get something for nothing, it was because someone else was getting nothing for something. What I would call legitimate profits were not something for nothing.

Henry Ford, for example, gave to the World a new era, and he sold his cars in free competition with the World. He had no monopoly privileges, no subsidies and no tariffs enabling him to charge more for his goods than they were worth. People willingly paid his price for his cars and were satisfied that they had obtained value for their money. Henry Ford's profits were legitimate profits. His desire for those profits had meant a material advance in the standard of living of millions of people throughout the world.

But there are other profits which I would not call legitimate profits, for they have been obtained as a consequence of giving nothing for something or of charging more for articles than they were worth, which charges have been made possible as a result of the total or partial exclusion of competition by tariffs, import licences or other legal privileges. It is unfortunate that the term "profit" is generally applied to all gains whether they are earned or unearned. For

example, the term "profit" is used when referring to the unearned increment obtained by land speculators who have bought up suburban or country land and held it unused for later resale at enhanced prices. The gain or profit which these speculators receive is frequently very large indeed.

Unearned increment is always paid in toil and sweat by someone, yet people have seldom questioned the commonsense or the morality of legal or political systems that not only permit unearned increment to go into private pockets, but make it unavoidable.

The amounts involved are colossal, but there are no officially kept statistics available to show up the tremendous burden that is carried by the community. There is room for fact finding and clear thinking in this field.

We then come to what I regard as the most vital problem of all - and it is one to which absolutely no attention appears to have been given - probably few people realise that it even exists - and that is the problem of ensuring that - at least broadly - those who meet the cost of developmental works receive commensurate benefits. In these days of complex and often tangled public finances, with subsidies and grants, direct and indirect, from revenues and loan funds, it is not easy to relate benefit and cost, but I have no hesitation in saying that a great deal of governmental expenditure can truthfully be described as "Public expenditure for private profit". I do not suggest for a moment that there is anything in the way of intentional corruption in such expenditure or even that those who authorise it do so with the knowledge that much of that benefit will be capitalised in urban and rural land values and pocketed by the fortunate owners when the lands concerned are next sold.

Few people have given any thought as to what constitutes land values. Those who talk and write so much of costs of production and in their figures include what they call interest on the "value" of land, betray their shallow thinking at once. It is not easy during a time of inflation to separate increases in land values which are due to reduction in purchasing power of money, from increases due to real increases in values and prices of products, increases in population and consequent demands for land, increases due to public works and facilities or even increases due to scientific discoveries.

It may startle many to know that the success of the myxomatosis campaign will cost the State many hundreds of thousands of pounds in the increased prices which the State Rivers and Water Supply Commission is having to pay for land being resumed for the Big Eildon Reservoir. These increased prices are not unreal, but are the natural results of the increased carrying capacity of lands from

which rabbits have been practically eliminated as a result of the introduction of myxomatosis to the district.

A generation ago there were similar spectacular increases in land values when the possibilities of superphosphate were discovered.

We can be proud of the results of scientific discoveries, but we may not be quite so happy when we realise that as land values go higher and higher, it becomes more and more difficult for newcomers, or even the sons of our own farmers, to become landowners. Natural closer settlement of agricultural and grazing lands by private subdivisions and private purchasers becomes more and more difficult for buyers to finance because of high land values, and government closer settlement by compulsory acquisition becomes more and more costly to the State for the same reason. These high land values put an increasingly severe brake on practically all development aimed at expanding production. They are real enough, and the land owners concerned are in no way to blame for wanting full market value for what they sell.

The defect is in taxation and rating systems that fall heavily on production and leave practically untouched the unearned increases in land values that are the inevitable result of developmental works and other activities carried out largely at the expense of the general taxpayers of the community.

Great truths are fundamentally simple, and in a democratic community people have only themselves to blame if they are unwilling to give any thought to economic problems that have such far-reaching effects on their lives.

I concluded by quoting George's great saying again *"Until there is correct thought, there cannot be right action. When there is correct thought, right action will follow".*

A tax which is quite unjust in its incidence and which causes a great deal of hardship, particularly to the farming community, is Probate. Wouldn't it be a fine thing if a farmer who had struggled all his life to clear his farm from debt were able to leave that farm debt-free to his heir? As it is, the problem of probate is quite a serious one. I believe that the Land Tax should be regarded as Pay-as-you-go probate, and that Government should increase the rate of Land Tax to such an extent as is necessary to compensate it for the complete exemption of "Land Values" from probate taxation.

A legalistic mind could point out all sorts of difficulties in the way - such as the graduations that at present are made in both Land Tax and Probate - but we will all remember that - although we do not support

Income Taxes - there was, not so many years ago, a very great simplification of the taxation system, so that the taxpayer himself could understand what he was expected to pay. The bringing in of Pay-as-you-go Income Tax was a great relief to many, in fact most wage and salary earners.

There was a time when I, myself, felt a very great relief when Pay-as-you-go Income Tax was introduced because, up to that stage if I had lost my job or resigned, I simply could not have paid the income tax due on the salary which I had already received. The older ones will, of course, appreciate the stringency of the "Depression Years" when all taxation was increased, all earnings were reduced, and practically all savings absorbed.

Pay-as-you-go probate might well have some political appeal, and is certainly worth considering. The raising of Public Revenues by the taxation of land values is, undoubtedly, a pay-as-you-go form of tax. Fundamentally, of course, it is the payment of economic rent, but for every hundred thousand persons, there might be, perhaps, one who would understand what was meant by economic rent, and 99,999, who would not have a clue, but who would understand the word taxation.

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Further Tributes by Others

"My ambition is to repay my debt to Henry George by coming over some day (to America) and trying to do for your young men what Henry George did nearly a quarter-century ago for me".

— George Bernard Shaw.

"Henry George was a great man — great in his economic, prophetic insight; great in his faith, his hope, his love. He gave his message to the world and passed on, scourged, depressed, undone, because the world did not accept the truths he voiced ... All for which he strived and struggled will yet come true — his prayer will be answered. Of all modern prophets and reformers, Henry George is the one whose arguments are absolutely unanswerable and whose forecast is sure".

— Elbert Hubbard.

"I see in Henry George's proposal an effort to establish a principle which, when established, will do more to lift humanity from the slough of poverty, crime and misery than all else; and in this I recognise it as one of the greatest forces working for temperance and morality".

— Frances E. Willard.

WHAT ARE OUR LAND PROPOSALS?

It is a fundamental basis of English law that the ownership of land rests with the Crown and not with individual holders. Although loosely referred to as "owners", these really have only titles which give them right to exclusive occupation and use of land. The title is either "freehold" or "leasehold". In the first, the right to exclusive occupation is for ever, while in the second it is held for a limited period. Both these forms of title are held from the Crown, subject to the payment by the citizen of his lawful dues to the state. The landholder "owes" these dues to the Crown, hence called the "owner".

With this system we do not seek to interfere. We regard exclusive occupation of land as essential to its best use. We do not propose to interfere with buying, selling, or bequeathing land and the improvements upon it. It is with the taxes which citizens are called upon to pay to provide the revenue for public services as the condition of their holding land that we are most concerned.

We maintain that the government should base its taxes upon the unimproved value of the land*, a value that is independent of what the individual land owner does to his holding. This value reflects the extent of the public services provided and maintained by the government, and is the natural and legitimate source of public revenue.

Basing taxes for revenue on site value instead of on individual production or earnings would be a fundamental change. Production would be stimulated, for it is recognised that taxation on earnings is now so high as to weaken the incentive to produce. Those who are merely holding land sterile as an investment would have to pay their share to revenue as though their land were in production or use. They would then be more willing either to develop their holdings themselves or release them to others who are able and willing to use them.

Although rural lands would be included in these taxation proposals, the effects would be more important in the cities and towns where the earning power per foot of land is many times that per acre in rural areas. Active land users for home, business or factory purposes would find it easier to get sites cheaply, and they would retain more of their earnings. Speculative holding of land would be discouraged. Demand for goods and materials of all kinds would be stimulated and with it the demand for labour. New opportunities would open up and living standards for all classes would be raised.

*"Unimproved value of land" is used here in the general sense to make clear that it is the value of the site, apart from any buildings or other improvements on it which is meant. The land tax would be based on the annual rental value of the site.

* From a broadcast talk over station 3DB by Cr. A. R. Hutchinson, B.Sc., M.I.E. Aust.

COMMONWEALTH-STATE RELATIONS*

In searching for revenue to solve their financial problems, Governments should avoid pettyfogging taxes like stamp taxes, or taxes which impose heavy burdens on industry, like sales taxes and pay-roll taxes.

What is wanted is something simple, something easily understood, easily assessed and collected, something that cannot be avoided, and something which is a true growth tax as the country and its needs develop. What is wanted is something which will give automatic increases in revenue without disputes between Governments or increasing the cost of living.

Can anyone suggest anything which gives more inevitable continuous increase, and which meets all the other requirements I have listed, than the so-called 'Land Tax' - the tax so much hated by the farmers who never understood that 80% of what comes from Land Tax is collected from the cities, where land values per square foot so greatly exceed country land values per acre.

Serious thought and detailed study should be given to the expansion by the States of this source of revenue as an alternative to more burdensome taxes which put up the cost of production and contribute to inflation.

Land tax is not touched by the Commonwealth, and has the unique attractiveness that it is actually deductible for Commonwealth income tax purposes, so that, on the average, only about one-half of any increase in State revenue from Land Tax, would, in fact, be paid by the State taxpayers. The other half would, in effect, come from the Commonwealth.

It would be a truly automatic growth tax without increasing the rate of tax in the dollar; it would be subsidised automatically by the Commonwealth, and it would not be a burden on the cost of production.

On the contrary, it would reduce costs by penalising the holding of vacant lands off the market, and by forcing it on to the market at lower prices, with all-round benefits to the whole community other than land speculators.

By providing the States with an independent source of increasing revenue, it would do much to reduce Commonwealth-State friction in connection with financial matters.

*From an address by Sir Ronald East to the Rotary Club of Waverley.

A STATEMENT OF PRINCIPLES

as set out in "LAND & LIBERTY" the Journal of the UNITED COMMITTEE FOR THE TAXATION OF LAND VALUES.

The collection of the rent of land for the community by the Taxation of Land Values is not the only reform necessary, but it is the first reform and it would make all other reforms easier. The social and economic effects of raising public revenues by land-value taxation would be threefold.

IN THE FIRST PLACE taxes that now fall upon wages and production could be abolished. No one need be taxed for building a house or improving a farm, for bringing things in from other countries or for adding in any way to the stock of wealth. Everyone would be free to make and save wealth; to buy, sell, give or exchange, without hindrance, any article of human production the use of which did not involve any public injury, infringe in any way the freedom of others or result in their exploitation. All those taxes which increase prices as things pass from hand to hand, falling finally upon the consumer, could be dispensed with.

IN THE SECOND PLACE, a large and constantly increasing fund would be provided for the community's use as labour, enterprise and industry increased the value of land.

IN THE THIRD PLACE, and most important of all, the monopoly of land would be abolished. The economic effect of taxing land values whether land be used or not, would be to make certain that all land was put to its best use. The effect of thus freeing the land would be to make it available for the many needs of labour and capital. The temptation to speculate in natural opportunities would be gone. The speculative value of land would be destroyed as soon as it was known that the land-value "tax" would be increased as fast as land value increased. The benefits would go not to individuals but to the community generally - individuals, however, retaining the full results of their labour and enterprise .....

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