

# Using Georgist Insights to Make Sense of the World

By Paul Meleng

**“I do not talk to people about bringing in land tax. I suggest we never ever begin the subject that way. I talk to them about how utterly stupid and wasteful it is now, in this new world, to be using “income” as a basis for national revenue.”**

My first profession was as a Licensed Land Surveyor. I trained in the Lands Department of WA and then contracted to Main Roads in the remote Kimberley. After a couple of years in mineral exploration work I set up my own wide ranging “practice” in a regional coastal centre, where I carried out complete design through to sale development projects for land owners. The whole land title and valuation system is studied and deeply understood as a core part of that profession.

After selling that regional business, I moved to the coast near Perth, and learned and worked in direct real estate sales, but this was during a deep price collapse after the 1982 bubble. My understanding of the psyche of property investment and the pain on the downside was deepened further as I presented ruthless offers to wipe out speculators on behalf of some hard money men.

I then learned the life insurance and superannuation game, expecting to do serious work, but once deep inside the beast, I found that it was just a rude scramble for commissions which lead to bad warped advice. With my accountant buddy, I wrote a guide on how to survive it and still win. This sold 30,000 copies at \$15 over the next decade while I built myself a grass roots financial advice business alongside his accounting practice.

Along the way I studied and got involved in Permaculture, which is amazing when you realise how much further it goes into complete sustainable living, not just funny looking gardens. The aims and design methods of Permaculture create a common language and an objective of real sustainability into which any useful skill or profession can contribute and also learn. From that I could see that there had to be better ways to operate as a community, sharing common resources and easily having an abundance in all of life's essentials.

It now looks fairly certain to me that all of our big problems are an “own goal”.. Greed is not good.. People are amazing in the way they can cooperate and innovate for the common good when the shared goal is fair and uplifting.

Eventually a copy of PROGRESS was given to me by a long time fellow land surveyor and fellow closet rational greenie. I got into it, and the lights went on again, just as they did when I was learning Permaculture.

Reading The Secret Life of Real Estate by Phillip Anderson added another layer. That insight in turn has enabled me as a financial adviser to understand the propositions put by Prof Steve Keen on how credit grows to an unsustainable level in step with a property bubble, and hence the current state of affairs.

I attempt to explain it to others this way:

We start with the common land or as a colony with "crown land". We put pegs in the ground and create parcels of land and hand them out to favourites of the rulers as crown grants. The army of the king or republic stands behind the title.

With that as "security" and a good indication that one can make money from it over time, credit can be created. New money. A Bank can create money to represent the land's "value" and put it into the landowner's account which he can then use to get things happening and hopefully create enterprise.

## Point 1:

Credit is not necessarily created by me having money that is loaned to you via a bank. It is created by the bank exactly as intended by the system as the monetisation of standing assets and the promise of labours and repayments to come. The loan secured by the privatised land creates the money, which you might say represents that land. The money does not start as someone else's savings. One man's debt is not really another man's wealth.

So the simple message is that the level of private debt and confidence in long term employment really does matter, and that when private debt reaches a point where people are not willing or able to borrow and repay any more, then it stops dead in its tracks.

This is what is happening now. Australians have flipped from 1% net spenders to 10% net savers and the whole "buy now pay later" part of the economy is unravelling. I am now able to explain to younger clients how not to get caught.

## Point 2:

The core Georgist story is about the equitable source of taxation that puts all the energies in the right direction. I do not talk to people about bringing in land tax. I suggest we never ever begin the subject that way. I talk to them about how utterly stupid and wasteful it is now, in this new world, to be using "income" as a basis for national revenue.

Young people who are global citizens and who do most of their business on the net can easily see how an entire parallel financial universe could bypass the old system and make it a joke. They can also see how stupid it is to tax work and enterprise instead of one's call upon the common wealth and services of the nation.

Once that discussion is illuminated, the question then arises as to the alternative. It is obvious. We defend the country and keep it safe and clean and operational in every way. It is a great privilege to be a citizen here. The more or less of it you use, the more or less of it you should pay. Exactly like shire land rates or body corporate levies. Land cannot be sent via cyberspace, parked in an offshore tax haven or undeclared. It is undeniably there. It is on Google Earth. You need it to stand on. It has title guaranteed and recorded by Government. It is already valued, professionally, for the purpose of local and state government revenues.

I say imagine that you could make a fortune as a global business or skilled worker and yet pay next to no tax by living very simply in Australia and taking up as little room as possible. Example. A software developer making millions in royalties could rent a room in my house and pay one quarter of my total government contribution. He can bank the rest or use it to employ and train more people and expand his global IT empire.

If we replaced income tax with land rent, our country would be a magnet for all the best and brightest entrepreneurs and skill workers in the world who were happy to live lightly on the earth. Just exactly what we want.

The best way to play the system would be to make as much as possible while having the smallest "footprint" possible. It would be to use your patch of dirt far more productively than the average similar patch of dirt in your area as they would all be valued and taxed a similar amount. Just exactly what we want.

All of the complexity in superannuation would be reduced to something that made sense to the average worker. Super should be about a high level of security and regulatory safeguards of people's retirement funding and not all about the tax concessions. There would still be plenty of good work for the accounting clerks to do. Probably 100,000 good legal, accounting and clerical workers could be switched to useful work from mindless income tax compliance, or detailed finangling avoidance. Truth in accounting would be driven by a market that desires accurate valuation and accountability of businesses for the reasons of business rather than endless games with the ATO daleks.

No income tax. No payroll tax, company tax, superannuation tax, GST and no need to argue deductions. Goodness me. Ordinary hard workers might even be capable once more of running their own small business with just a cash book. I find that people do get it. Their response is then: "You are right, but THEY will never allow it to happen"...

I think with wisdom, persistence, tact, and a sprinkle of wry humour, we can do something about that.