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OUR PHILOSOPHY

We believe that the Earth is the birthright of ALL MANKIND.

We recognise that for many purposes it is essential for individuals to have exclusive possession and security of tenure of land AS GIVEN BY THE EXISTING FREEHOLD SYSTEM OF LAND TENURE.

We believe that those who have exclusive possession of land should COMPENSATE SOCIETY for being excluded therefrom.

We believe that such compensation paid annually would meet the costs of Government and permit Society to abolish all taxes on LABOUR and on goods produced by labour.

THE CONSUMPTION TAX

Tax Reform Australia is not alone in attacking this proposed impost. Eric Risstrom, National Director of the Australian Taxpayers' Association, had a stinging attack on it in "The Age" of July 15. Some excerpts follow:

"Remember New Zealanders, who faced two years later not only a 25 per cent hike in their new-fangled indirect tax, but income tax increases as well.

I believe that for most people, a consumption tax would be an incredible personal cost, some of it partly hidden. There would be no economic windfall to help people weather the financial drought.

Three years ago most academics and many in big business supported a goods and services tax (GST). Today a large number recognise the serious problems. Many admit the arguments for a GST are not always based on fact, and some now see it as downright dangerous.

You and I know that, when it comes to taxation, there is no Father Christmas. Business people sniffing the wind for possible benefits have not calculated what a GST would do to their customers and employees.

They have not started to think through the flow-on effect on wages and overheads like payroll tax, super fund contributions, workers' compensation and inflation.

But if they are lucky and can stay in business: why worry? Because, with a value-added type tax, it is the customer who picks up the tab for all the tax and costs."

The CPI effect: Those setting the tax say that there would be an initial once-off adjustment of prices, with only a temporary effect on the CPI. Like hell it would be temporary.

Some politicians concede that, in the first year of a GST, the increased cost of goods and services could push the CPI to around 17 per cent. But they argue that the effect would quickly go away. Let us hope they admit that simply is not true.

Politicians and economists compare last year's increase with this year's increase. The truth can be found only by comparing prices then with prices now. Once prices have gone up, they might level out, but they do not revert to the old and lower level.

What would be taxable? The Opposition says there is about a seven per cent indirect tax charge in prices now. That is not true for most people because about 75 per cent of what most people spend their money on is not subject to sales tax now. There is no tax now on food, clothing, medical and dental expenses, health insurance premiums, fares, telephone, electricity, gas, school fees, house rent and home purchase.

All those essentials would be taxed. Tax on probably everything except superannuation and financial transactions. In their eyes, the system is unfair if everything is not taxed.

National Party Leader, Mr. Wal Murray (N.S.W.) has rejected as "political lunacy" the commitment by the Federal National Party Leader to a consumption tax. ("Canberra Times", 22/6/91).

Early in July "The Australian" published an opinion poll showing that

60% of Australians were against the idea.

And on July 2 the same newspaper published a devastating attack by Senator Peter Walsh. Some excerpts follow:

The Liberal Party's major problem with its VAT proposal will not be its highly suspect basic rationale but the specific decisions it makes on what will be included or excluded from the VAT base, and how it will defend those decisions — if it ever gets around to making them. If it doesn't make specific decisions soon, it will be in even more trouble. Here is a far from exhaustive list of the specifics they will have to settle:

- Private school fees. If these are not exempt from VAT there will be a huge backlash, especially from Catholics. If they are exempt the Opposition can explain why pensioners should pay 15 per cent tax on groceries while paper entrepreneurs pay nothing for Geelong Grammar fees. Rather than me.

INSIDE:

- The Greening of Georgism
- U.S. Georgist visits Soviet Union
- Dates for your Diaries

(See Back Page)

If your kids live at home, you pay VAT on their food, bedding, etc. which you avoid if you send them away. Alternatively you pay VAT on the hostel fee, including the charge for the labour component of board which at home would be provided by their mother (usually) free of tax. And at a private boarding school how will the board and tuition components be separated in a way that cannot be rorted?

- Private health insurance. Many of the pros and cons relevant to this also apply to school fees. I will not repeat them. However, there is the additional problem of doctors' fees, with or without private insurance. Would all doctors' fees be exempt or only some? For example, setting a broken arm to be exempt, a face-lift not. Likewise, dentists' bills. And pharmaceuticals.
- Funerals and graveyard monuments. There can be no doubt that conceptually this is consumption expenditure. Would it be fully taxed, taxed beyond some limit or not taxed at all?, as a colleague, Senator Maguire, said recently. He can already see the bumper sticker, "People are Dying to Pay Consumption Tax".
- Wedding receptions. Again unquestionably consumption expenditure which should be fully taxed under a VAT regime. If an exemption is allowed, will it be capped at a couple of thousand dollars or will weddings like that provided for Alan Bond's daughter a few years ago – replete with floating dance floor, orchids flown in from Holland and 5,000 bottles of imported champagne – be fully exempt?
- Transport and entertainment. These are consumption items. Will there be a 15 per cent surcharge on bus fares? Will executives driving company (or government) cars avoid it? Will there be a 15 per cent surcharge for the footy and the races? Will the toffs who are in corporate boxes at no cost to themselves avoid the surcharge paid by people in the outer?
- Rent, household insurance, car insurance, electricity and water charges, local government rates. In a pure tax regime about which the Opposition talks, all must be taxed. But will they?"

However, newspapers do not seem to publish the radical alternative, viz. revenue from site values.

CONSUMPTION TAX UNDER FIRE FROM CHURCH BODY

The Federal Opposition came under further pressure over its consumption tax policy yesterday when an influential church welfare body attacked the proposal, questioning its impact on low-income families and the aged, ("Australian", 11/6/91).

The Australian Catholic Social Welfare Commission – in a paper on the tax prepared by former senior federal public servant Dr Terry Dwyer – describes the arguments used by the Opposition to support its tax proposals as wrong, and "exaggerated as to their importance".

Dr Dwyer, a private consultant, is a former adviser on tax policy with the federal Treasury and the Department of Prime Minister and Cabinet. He was commissioned to compile the report at the request of the Australian Catholic Bishops Conference last year.

His report argues that adoption of a consumption tax would penalise low-income earners, families and the aged and would not be more efficient than existing indirect taxes, would not help the balance of payments and be unsuccessful in stopping tax avoidance.

It also claims a goods and services tax would be costly to collect, erode savings through high inflation and threaten health, welfare and education bodies.

The release of the report – which essentially supports many of the Government's arguments against a consumption tax – comes as the Government increases the pressure on the Opposition to release details of its tax proposals.

The Opposition immediately attacked the finding of the report yesterday, claiming its arguments were "inconsistent" and that the report was "hardly a fair and objective analysis of the issues involved in such a complex question as taxation reform".

Father Kilby said tax burdens would increase for families and the poor under the GST system.

"Low income earners and families have no choice but to spend more of their incomes on basic necessities of life," he said.

Non-profit organisations and charities would also be affected in this way because their capacity to purchase clothes and food would be affected, reducing the services they provided, he said.

Proposals for compensation, involving increased welfare spending, were inadequate and would particularly disadvantage self-employed low income earners, such as farmers.

"Compensation involves an expansion of means tested welfare spending (and) poverty, work disincentive traps could affect more of the population," the report said.

Another problem caused by the shift to consumption taxation would be the loss to savings through increased inflation, Father Kilby said.

This would particularly hit the aged and others who have to live off their accumulated savings," he said.

Ironically, any exemptions to reduce its effect on these groups of people would make the tax complex when it had been hailed by its proponents as a simpler system.

The report said the introduction of a GST to replace the sales tax would also mean family costs such as food and clothing would be more heavily taxed while other items were taxed at a lower rate.

Australian Taxpayers' Association director Eric Risstrom has labelled it "a tax for the greedy not the needy".

Mr Risstrom said some low-income families paid only 13.8 per cent income tax.

He said the 15 per cent consumption tax would push up the cost of living and create demand for wage increases which would push prices higher and affect overseas trade.

At the last taxation summit Mr Risstrom said up to 90 per cent of the population were against the consumption tax.

"It's simply not on. I hope I'm around long enough to stop it happening," he said.

FOOD FOR THOUGHT

A tax on land values is the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit and upon them in proportion to the benefit they receive.

(Progress & Poverty Bk.8 ch.3).

ERRATA – AUGUST 1991

Page 1, Col. 1, Para 5 should read:
"basic cause" of poverty . . .

CONSUMPTION TAX – A GEORGIST COMMENTARY

By Graham Hart

The broadly based consumption tax was conceived by the Liberal Party to provide it with a policy which differed from declared labor policy to some marginal extent. The method of operation has not at the time of writing been worked out. Correspondence was directed to Messrs. Peter Reith and John Howard soliciting information, but without any informative responses being received.

The consumption tax imposed on retail sales is intended to replace the sales tax on wholesale sales because the latter, with its varying rates and exemptions, is said to be too complicated. The reasons for the complications are a recognition of the harsh effects on poor people and competitive industry, and attempts to alleviate the problem.

The consumption tax imposed at retail level on everything people, both rich and poor, buy, will have an even worse effect, which is recognised, and we have the vague assurance that some form of compensation will be provided.

The sop to gain support from wage earners is a promised reduction in income tax but this will not help pensioners, retired people and the 10% unemployed who have no earnings. More hand outs will be necessary, with harsher application of the inquisitorial means test and the growth of bureaucracy.

As the government grabs more of the purchase price, at the retail point of sale, so the demand for goods and services will be reduced. Production will be adversely affected accordingly and unemployment will worsen. The answer is that this will be compensated for by a reduction in income tax which should stimulate local purchases.

It is assumed that export sales will be exempt from the retail consumption tax. Australian products therefore will be sold cheaper overseas than in this country. This is in the nature of an export subsidy. We object strongly when the EEC subsidises sheep raising, because this reduces the price of Australian sheep. Economic warfare of this nature generates reprisals and causes enmity between nations.

The distinction between retail sales and wholesale transactions will be just as complex as in the present Sales Tax Act and will call for the registration of wholesalers and manufacturers who should be exempt from tax on purchases used in production.

The proposed consumption tax will be a bureaucrats' bonanza.

At a time when there is a serious unfavourable balance of trade and the Australian government is facing more than a billion dollars deficit, could any tax juggling and dumping of Australian products at cheaper prices be more irresponsible?

All forms of taxation, imposed as a fine on the processes of production, exchange and consumption, will have a damaging effect on the economy. Changes in the method of collection only alter the effect of suffering among different people.

There is a method of raising public revenue which has a stimulating effect on production and ensures full employment at full earning capacity. This method, contrary to the seventy-odd different taxes and revenue producing public charges presently imposed, is consistent with scriptural injunction, the science of political economy and sound business principles.

It is not possible, under modern conditions, to divide the earth equitably among all people as communists have attempted in China and Russia, because of the enormous differences in value – from zero to \$8,000,000, annual, unimproved value in Australia – nor is this desirable because of the varying types of industry and land requirements.

Equality of opportunity for all people to apply their labour to the God-given resources of nature is all that is needed.

Land value is created by the pressure of population, by the presence and activity of all people as an economic community, and not by the efforts of individual landholders, except as members of the community. Land value is a social asset, the wages of society, and therefore is the proper source of public revenue. Land would, in effect, be distributed equitably on a basis of value, rather than area.

Each landholder, or tenant land user, would contribute to public revenue according to the market assessed value of the site chosen for exclusive occupation and use, and participate in the benefits of public services without any arbitrary, disincentive forms of robbery which we call taxes. It would not pay to hold land idle or underdeveloped. Land must be put to use to earn the public charge.

There is no way of using land without employing labour and capital, so full

employment at full earning capacity is assured.

Public finance by taxation doubles the cost of government. Taxes increase prices. Governments, as the largest purchasers of goods and services, must buy back their own taxes. The welfare state must be provided for, because of the unemployment and poverty generated by land monopoly and speculation, when landholders are not required to pay for the economic advantages attaching to their holdings.

Idleness and public theft generates vandalism, violent and fraudulent crime, suicide, corruption etc. Crime, and dealing with its effects, is almost out of control and the cost to taxpayers is enormous.

"Taxation is the power to destroy" which observation by a former Chief Justice of England becomes more apparent. This is the reason for indirect taxes which are less noticeable than direct taxes, as clearly stated by William Pitt, Prime Minister of Great Britain, who addressed the House as follows – "My Lords and Gentlemen, a direct tax of 7% would be a dangerous experiment, and one likely to incite revolt, but there is a method whereby you can tax the last rag from the back and the last bite from the mouth, without causing a murmur against high taxes, and that is to tax a great number of articles of daily use and necessity so indirectly that the people will pay without knowing it. Their grumblings will then be of hard times, but they will not know that the hard times are caused by taxation."

Mrs. Thatcher miscalculated the tempo of the British people in her attempt to foist the poll tax on them and so increase the wealth of the big landholders who claim to own 80% of the land value of Britain, and relieve them of contributing to the cost of government.

Dr. Hewson is in a similar predicament. His consumption tax venture could well condemn the Australian people to another term of monopoly-socialist government, which might well complete the destruction of the Australian economy.

An annual public levy on socially generated land value, exclusive of improvements, is stimulating in its effect on production, is entirely just to all concerned, may be collected at a fraction of the cost of collecting taxes, and is impossible to avoid.

RATING POLL IN MORDIALLOC

A poll for the retention of site value rating has been successful in the City of Mordialloc. In May 1991 Mordialloc Council moved to revert to net annual value rating. The Council used the (old) 1958 Local Government Act, necessarily, as the relevant sections of the (new) 1989 Local Government Act have not yet been proclaimed to operate. The statutory notice was published in *The Age* of 29 May 1991.

The 10% of signatures on the voters' roll, required to demand a poll on the issue, were passed to Council on Monday 1 July by Mr. Alan Johnston, President of the Mordialloc Chamber of Commerce, who was active in the campaign for SV. The poll was on Saturday 3 August which was the day for election of Councillors in Victoria. There was no election at Mordialloc, the candidates standing being unopposed. This no-election situation explains the low (but sufficient) turn-out of voters – 57.5% of the 23,109 voters on the roll cast votes in the poll.

The local Leader-group newspaper, *The Mordialloc-Chelsea News*, gave good coverage, in articles and in Letters to the Editor, to both sides of the campaign. The campaign for SV rating was organized and led by Mr. Neil Smith, a Parkdale Ward ratepayer. Some assistance was given by General Council for Rating Reform members L. Hutchinson and E. Heywood, with advice from L. Brown and M. Williams.

The poll result was gratifying; for SV: 8676, for NAV: 4136, informal: 468. That is, 67.7% of the valid votes were in favour of SV, or about 2 to 1.

This poll result appears similar to the result obtained in a similar situation in 1985. Then the votes were – SV: 10,026, for NAV: 4903, which is 67.2% for SV.

However, the increase in the vote for SV on this occasion, though small, was obtained in different circumstances. In 1985 the Council remained relatively neutral, whereas on this occasion the Council campaigned vigorously for NAV, using ratepayers' funds for the campaign, and employing people to hand out how-to-vote cards on polling day.

This result is in accord with past experience in the use of the provisions of the 1958 Act or previous, similar Acts, which have been in force in Victoria since 1920. In 112 changes or attempts to change the system of rating by these provisions since that time, 29 have been attempts by Councils to revert

to NAV (or, on seven occasions, to "composite"), the voters have obtained their 10% of signatures to demand a poll in 24 of these 29, and have reversed Council's decision in 19.

The voters have shown, once again, their great preference for site value rating.

HOUSE PRICES

Several suggestions for solving the housing problem and encouraging building have become popular. Unfortunately all of them are doomed to failure unless we can stop the ever-increasing rents and prices demanded for the use of land.

One suggestion has been the large-scale building of prefabricated houses. However, the inevitable result of any increased building activity is to increase the demand for land. Land prices would rise and cancel out the benefit of building economies. All attempts at helping young couples by increasing mortgage facilities, lowering interest rates etc., increase the demand for land for new houses and consequently raise its price.

The charges made for the use of land will never be reduced until we remove the causes of artificial land scarcity. This scarcity arises because property users are paying progressively higher taxes, whilst property held idle or badly used pays little revenue by comparison, no matter how valuable it might be. All producers, workers and pensioners are paying an ever-increasing burden of income tax, sales tax, payroll tax, stamp duties, road taxes, etc. On the other hand, site values are being exempted more and more from taxation by State Governments despite ever-increasing site values.

In consequence, much valuable land and property is held out of use or is badly used even in the most densely populated towns. The competition amongst intending purchasers and tenants for scarce property forces property prices and rents up to high scarcity levels.

The only solution is to reverse this process by encouraging land and property owners to develop fully and to compete for tenants and purchasers through radical tax changes.

If, instead of taxing production, the full annual value of all sites was collected for public revenue, property owners would expand building development and compete for tenants and purchasers to such an extent that land prices would drop dramatically and

rents charged would reflect building costs and not situational values. To attract tenants, property owners would improve the quality of buildings and provide more garden space and communal facilities. On the other hand, property owners would no longer be faced with high income, profits, payroll taxes, etc.

No other suggested remedies for speeding up housing accommodation and lowering house prices and rents can work until this basic tax reform is introduced.

The Australian Rights Movement,
P.O. Box 747, Nedlands, W.A. 6009

THE GREENING OF GEORGISM

Jeffery J. Smith

Education Director, Basic Education,
San Diego

Unlike any other movement, greens, (environmentalists, bioregionalists, outdoorsmen) are in direct confrontation with economies. Current systems have failed greens. Both capitalism and communism are blindly and busily chewing up the earth at one end and spitting out poisons at the other.

The one thing that has held greens back in winning more public support is their lack of an economic program. Thus the greens seek a new economic order.

Our economic reform meets all the green requirements: (1) It does not oppose production but makes the economy more efficient, (2) it focuses on land as the prime mover, (3) it completes the green arsenal with a realistic platform, and (4) it's neither left nor right, but the best of both worlds.

For these four reasons, greens have already begun to appraise our reform. Read what prominent and widely read green writers have said:

Ralph Nader's group, Public Citizen, says in its booklet put out by its Critical Mass Energy Project, "Reduce taxes on people and increase taxes of non-renewables."

Jonathan Porritt, founder of the British Ecology Party, said in *Seeing Green*, "... the Liberals have given up trying to get across the ideas of Henry George. And that's a pity ... The only way to break the monopoly of land ownership ... (is) some form of land tax."

Kirkpatrick Sale, founder of the New York Green Party, said in *Human Scale*, "Henry George's idea looks good for the environment."

Ernest Callenbach, author of the modern classic, *Ecotopia* (15th printing), said if he'd heard of geonomics before publishing his book, he would have "written it with Georgism as the economic system in *Ecotopia*."

The Sierra Club re-wrote its land-use policy statement to include, "Tax laws should be modified to . . . prevent low density sprawl."

Greens have come this far to the Georgist point of view largely on their own. They'll come all the way with the help of Georgists.

What will we get out of it? A movement. Everything Georgists lack, the greens have - numbers, organization, and political savvy. Greens have won major political victories in nearly every country on earth. Green values are now firmly entrenched in the American psyche. A growing number of local elections are decided solely on the land-use issue.

Where greens lead, the public soon follows. Who really wants foul air, filthy water, ravaged land, and extinguished species? A merger of greenism and geocracy* guarantees ultimate success for both. I ask that my fellow geocrats* support my efforts to catalyze this union.

U.S. "Intermountain Frontier",
Fall, 1987.

*Author Smith used the words "Georgism" and "Georgists". We just slipped in these substitutes.

Ed., U.S.I.F.

RUSSIA SHOULD BE ALLOWED THE THIRD WAY

The recent visit by American Georgists to Russia as guests of the Economic Committee of the Supreme Soviet greatly encouraged all of us to believe Russia was seriously looking at the middle way between discredited State planning and monopoly capitalism.

The Russian leadership under Gorbachev then seemed determined to obtain all the benefits of free market competition whilst shunning the evils of monopoly, especially land monopoly. It is to be hoped Gorbachev's insistence that private ownership should not apply to land continues.

Agricultural reform and collection of ground-rents were being pursued as the catalyst to raising the levels of productivity, consumption and savings without which more painful economic reforms would have been impossible.

Collective farms are being dismantled and the land let to individuals and teams on 49-year leases. Markets need

prices that are correct and responsive to the forces of supply and demand; what better place to start than the rural sector where a dispirited day labour force has been blamed for Russia's inability to feed itself? The collectives themselves are being converted to Western style agricultural co-operatives restricted to the provision of supplies and financial and professional services as necessary to the growing and marketing of farm produce. The status of the sturdy hardworking peasant farmer seemed to regain its rightful place as caretaker of Russia's landscape.

Following in the footsteps of Japanese, Chinese and Taiwanese peasants, Russia's farmers were being encouraged to become rich by hard work and skilful market anticipation. Just as Chinese farmers now invest their surplus savings on the Shanghai Stock Exchange, Russian peasants should soon be doing the same on Moscow and other Stock Exchanges.

Mainland China's policy of special economic zones and the granting of 70-year land leases in urban areas to foreign industrial joint ventures is also being considered as a means of opening up the Soviet economy to the rigours of world competition. Lack of competition and technological and managerial backwardness are being seen as the main contributors to Russia's low level of industrial efficiency.

Russia intends to withdraw from direct State investment in productive enterprise except through ploughed-back profits and to concentrate scarce public capital on improving community infrastructure such as ports and harbours, roads and railways.

Finally there is a call for quality instead of quantity, the bugbear of the past 70 years of State planning. Georgist policies of collecting the economic rent would raise sufficient State revenue to avoid incentive-killing taxation and forced levies on private savings. With the assistance of the free world and the institution of Georgist policies enough competitive free market forces should be unleashed to provide the environment for the sustained economic growth Russia so desperately needs.

The new breed of economic experts now in charge have the opportunity to make or break Russia. Greedy capitalist adventurers must not be allowed to gain monopoly control of Russia's vast land area or world peace will once again be in jeopardy.

All people of good will must assist Russia to synthesise private enterprise with the social ownership of land.

Morris T. Williams,

U.S. GEORGIST VISITS THE SOVIET UNION

By Steven Cord

The invitation was encouraging: I was one of four who were the invited guests of the Economic Reform Committee of the Supreme Soviet; we were to present our case for tax reform at a work session on Monday, May 13.

I will admit to a few trepidations on the British Airways flight into Moscow: isn't the Soviet Union our sworn enemy? Don't they threaten us with atomic bombs? They kill people in the USSR, don't they? It's a dictatorship, no? Anyway, doesn't the Communist Party dictate to the Supreme Soviet? Won't the people be unfriendly?

Well OK, I'll only be there a week. I'll take my chances. They want me to testify because of the research I've done indicating that when cities tax land values more and other things (esp. buildings) less, there is economic development; here is a tax which actually promotes production and will make the Soviet transition to a market economy a little easier. Such a tax causes land to be used efficiently, which is not now the case in the Soviet Union. If production isn't taxed, there'll be more of it. But enough of all that.

So there I was, ushered in with my three American colleagues to the Economic Reform Committee of the Supreme Soviet, Americans on one side, Soviets on the other. A picture of Lenin glared down at us. We capitalist Americans urged them to socialize the rent of land; they acquiesced, but Russians in general simply don't have a natural understanding of how a free economy works; land, to them, has no rental value because it is not a product of labour; yet they agreed in principle it was good to tax land, not labour or capital (if the latter is taxed, then the tax is passed on to consumers in the form of higher prices, but the Russians weren't sure of that).

Hey, they didn't mean to do it but they nearly killed me with kindness and cholesterol; the Russian diet is 45% fat, 45% cholesterol. In one week, I probably lost two years off the end of my life. Plenty of eggs and cucumbers (the latter is neither fatty nor oily, but it was served for breakfast, lunch and dinner and bathed in sour cream).

Did we sell the land value tax to the Soviets? Well, they showed more genuine interest in it than did most Americans, who are so relativist they wouldn't recognize the truth if they bumped into it.

- Our chief host, a member of the Supreme Soviet, asked some high advisors of George Bush on a recent trip he made to Washington about Henry George and land value taxation; only one in the ten heard of either and all of them advised against land value taxation, even though they knew next to nothing about it, and certainly had done no research (they were oblivious of the 15 cities in Pennsylvania which are taxing land more than buildings, all successfully). They caused my host to wonder if he could trust his own reasoning. So much for our Bushmen.
- The State legally owns all the land but gives it away for nothing to individuals and enterprises; this requires the State to tax incomes and production heavily.
- What is transpiring in the Soviet Union still mystifies me (no one seems to be in charge), but I saw much disaffection with state direction of the economy, and never have I been more optimistic about the future of freedom in the USSR.
- Don't talk to me about making war on the Soviets, not as long as my wonderfully warm hosts in the Soviet Union are living there. They are not abstractions any more. I used to be a foreign-policy hawk, but I can only make war on abstractions. Put away your war toys. They can hurt good people.

U.S. "Incentive Taxation",
July 1991.

TELEGRAM TO GORBACHEV

We note from Press reports that the privatization of Russian land is under consideration as part of the proposals to reintroduce a market-based economy.

As classical political economists, we know that the prosperity of a nation and full employment of its people depends on the condition of land tenure.

Economist John Stuart Mill stated that no-one can forecast the effect of any legislation without an understanding of Ricardo's law of rent.

Land should not be alienated, either by freehold title, or leasehold contract, without the obligation of payment to government of the annual market value of natural and locational advantages (economic rent).

The rental value of land arises from the presence and activity of all the people collectively and the services of government. It is a social asset and the proper source of public revenue. If not

taken for that purpose, rent will be capitalized as land price and become the object of speculation. This will oblige governments to impose taxes on production and consumption. The combined effect of land monopoly and taxation is unemployment, poverty and all the social disorders arising therefrom.

The exploitation of the Russian People during the Tzarist regime was caused by the private ownership of all land – rural, urban, and industrial.

Land nationalization is not a practical alternative to the collecting of economic rent – arbitrary allocation involving 250 million people is impossible of just administration.

Tolstoi said: "Solving the land question means solving all social questions . . . Possession of land by people who do not use it is immoral – just like the possession of slaves".

We are prepared to assist you if a method of communication is established.

Previous correspondence, apparently, was not received.

Graham Hart,
Georgist Council of Australia.

HISTORY THE OPERATION OF THE LAND LAWS IN THE 1830s

. . . the Land Regulations . . . That these are the most excellent things in theory that statesmanship ever imagined, I am not prepared to dispute. That they suit pretty well the highest class, those who legislate in the colony, those from whom the legislators of the colony are drawn, those from whom emanate the representations which by one means and another are rendered so influential in the Imperial legislature, may also be true. But they suit nobody else. Their effect is principally two-fold. They entirely prevent persons of small property from becoming landholders and agriculturists; by which again they coercively construct an immensely larger labouring class than otherwise would exist in the colony. Consequently the rich landholder both keeps the produce markets to himself; and again procures labourers at a vastly lower rate of wages. He diminishes the competition with himself in the produce market, and just so much increases the competition among the labourers in the labour market.

Alexander Harris (1805-1874),
"Settlers and Convicts".

MELBOURNE SCHOOL OF ECONOMICS

The Melbourne School of Economics operates under the aegis of Tax Reform Australia with a view to promoting the understanding of basic economics principles.

There are no tuition fees, as the tutoring is voluntary. There is, however, a charge for the notes (approx. 100 pages) of \$7.00. The course lasts 8-12 weeks, depending on student interest and enthusiasm. Each lesson is of one and a half hours.

The course is not formally recognized, there is no official certificate associated with it. The tutor, Mr. George Charles, has successfully conducted these courses with the University of the Third Age for some years.

Looking around the world today reveals widespread economic confusion. Marxism has failed in our society, there is a growing gap between rich and poor together with high unemployment and difficult housing access. Keynesianism appears to be proving inadequate.

The claims for this course are that it deals with fundamentals otherwise neglected or glossed over, that it defines slippery terms clearly and precisely, and that it provides insights into current economic and social issues. It distinguishes land from capital and shows some theoretical and practical consequences of this. Thus it is able to point to a clear way by which many of our present economic troubles could be solved.

Discussion and open student/tutor interaction are features.

The course is not directly geared towards material or vocational ends, but provides cultural enrichment and intellectual enhancement.

Mr. Charles is conducting classes Tuesday mornings 10.30 a.m. at 31 Hardware Street, Melbourne.

GEORGIST BROADCASTS

On 3INR, 96.5 band (FM), Mondays, 4.30-5.00 p.m.

Fairly wide range of reception in northern and eastern suburbs.

HOW CREDIT UNIONS BECAME "A Fast Lane for Venture Capitalism"

Victoria's politicians have had enormous criticism for letting some of the financial institutions lose the savings of their depositors, with the taxpayers footing the bill for billions. But what is said about causes, or about the Savings and Loan Societies that in the United States similarly lose their depositors' funds? The troubles there are probably worse than here.

Similar to our financial institutions, the S. & L.s are really specialist banks that, to provide long-term housing loans, customarily pay slightly more than the commercial banks for long-term money.

Right through the two World Wars and still continuing, deficit budgeting by both federal governments has lowered the purchasing power of the currencies. Land prices rise automatically and, to increase their profits, speculators then "borrow good money and repay bad". The Great Depression of 1930-31 slowed the process, but it grew again through 1939-45 and then worsened in the 'irresponsible sixties and seventies'. To make the fake claim that the deficits were being reduced, the Australian government has recently pushed onto the States some of the spendings that it had previously met. The value of our money continues to fall and the cost of living to rise.

Not being a commodity that can be manufactured, land prices rise and rise, falling a bit in the crashes but never to the pre-boom levels. Each crash ruins a new set of speculators and a new set of lenders.

Competing for funds to finance the land dealers, the major banking institutions lift their borrowing rates during the booms. This draws money away from the likes of the S. & L.s and the Credit Unions and leaves them with dangerous short-term borrowings against long-term lendings.

When this happened in the U.S., the S. & L.s responded by pressing their politicians, not to stop the deficit budgets but to derestrict the amounts that could be accepted as 'government insured' deposits. In the words of the Department of Thrift, this made them instantly "a fast-lane vehicle for venture capitalism" and with no increase in the insurance premiums that the speculators should have paid!

The regulatory agencies, without experience, "now had to deal with complex development and consumer credit loans, with no training and an inadequate staff." When the director of one of the Thrifts took off with its funds, the governmental insurance corporation was left with further staggering losses that the taxpayers soon must meet.

How similar to here, where the managers (sic) of the appropriately named Pyramid Building Society withdrew their own cash moments before closing its doors! Again on a scale measured in billions, the taxpayer is the loser.

Unless there is radical remedy, our newly-appointed and incipiently unfortunate Federal Treasurer probably will resort openly to the deficit budgeting practised by his predecessors.

The real responsibility lies with those electors who stand idle and unthinking while their governments levy taxes in lieu of the site rentals that should be the public revenue! Constructive thinking by electors would remove the gambling chip that the 'fast lane venture capitalists' play for with finance from the banking system as a whole. Big or small, bankers should lend only against assets created by physical exertion, not against land prices that mostly are extravagant and speculative pufferies.

W. H. Pitt.

LETTER TO THE EDITOR

I would like to commend John Fry on his recent letter which appeared in the June 1991 issue of Progress.

To clarify a few points – Pittsburgh levies not a 12.55% site value tax, rather an 18.45% tax rate on assessment value which is 4.6125% of official market value, or 3.69% of actual market value. Double that amount once the flat-rate school and county tax rates are taken into account.

The same figures for buildings are 3.2% of assessed value, 0.619% of official market value, and 0.495% of actual market value, but double that once the flat-rate school and county tax rates are taken into account.

Steven Cord,
Henry-George-Foundation of America,
Columbia, U.S.A.

NEW ZEALAND SUCCESS

Our New Zealand activist, Bob Keall, reports that Lower Hutt, adjacent to Wellington, has adopted Land Value Rating.

IN LIGHTER VEIN

Octogenarian: When you get older, you start losing three things – memory . . . (pause)

Septuagenarian: And what else?

Octogenarian: I forget.

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RURAL CRISIS CAUSING SUICIDE

Increasing numbers of farmers were committing suicide because of the crisis in the rural industry, a farmers' group stated ("The Age", 15/7/91).

The campaign director of the Wool Action Group, Mr. Barry Millett, said other farmers were seeking help from welfare agencies to feed their families.

"There's been a sharp increase in the number of farmer suicides in the face of a perceived hopeless economic future caused by low commodity prices and spiralling farm costs," he said.

COMMENT

The tax burden and the high

mortgage/interest payments can only be remedied by a Georgist economy.

Faulty economic policies do have drastic personal consequences! For the Georgist remedy for rural areas, ask for Graham Hart's illuminating booklet (\$3 including postage).

U.S.: GROUND RENT ESTIMATE

According to U.S. "Incentive Taxation" (July-August 1991), land rent is 20% of national income for 1986, conservatively estimated. The calculation is well documented, and indicates the vast land rent fund available for public purposes.

INTERESTING POINTERS

The Victorian Council of Social Services has recommended lowering of the threshold for land tax, and an increase in levels of land tax in order to curb land speculation ("Canberra Times", June 11, 1991).

The Australian Railways Union has recommended a "property tax" to raise more finance for public transport ("Age", July 15, 1991). It would seem that the Land Values Research Group study recommending that capital costs of railways be financed by a levy on land values has been heeded.

DATES FOR YOUR DIARY

- Lunch-hour videos, Series, 12.30 p.m. Monday
- Executive Meeting: 7.30 p.m., Thursday, October 10.
- Meeting on Consumption Tax 7.30 p.m. Thursday November 7. Details next issue.
- Melbourne School of Economics – 10.30 a.m. Tuesday. See article page 6.
- End of year Social Wednesday December 4.

DEADLINE FOR PROGRESS:
Noon on 12th of previous month.

The views expressed in articles are those of the writers and not necessarily of Tax Reform Australia Inc.

AUSTRALIA AND NEW ZEALAND

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