

WHY CAPITALISM AND SOCIALISM FAILED

The Reasons and the Remedy

by

Arthur Cannon

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It is with regret that we see political economy in England adopting a more sententious language enveloped in abstractions and becoming in every way an occult science, above all in an epoch when the sufferings of humanity demand that the science should talk a proper language, that it should, accord to the needs of man, that it should apply itself to realities. Simonde de Sismondi, 1773-1842. My reference: Guy Routh, *the Origin of Economic Ideas*, p 3. The Macmillan Press Limited: London.

The society which has developed during the last fifty years in Europe is not viable. There have not only been two catastrophic wars, but everywhere there has been political, economic, and social disintegration...the human animal has developed a way of life, but not the social organization which can make that way of life possible. In such circumstances the animal must change either its way of life or its social organization. We have been attempting to make no change in either of them, and the strains and stresses which result from trying to do what is impossible, cause violent, erratic, haphazard convulsions in our lives and society. Leonard Woolfe, *Principia Politica*, 'Modern Authoritarianism', Chapter 4.

To Sarah, Ross, Cathy, Leah, Kyrstal and Renee. Hoping they live in a better world than I have.

The reader who has had some instruction in philosophy and economics, may consider this work too elementary and simple to be worthwhile studying. However, I am writing for the general public, and to include all, I must regard the reader as a normal intelligent person, but one not necessarily versed in economic theory. So I begin with a simple discourse and proceed to more complicated matters as the treatise unfolds.

THE AUTHOR.

WHY SOCIALISM AND CAPITALISM FAILED

The reasons and the remedy

Introduction

Contemporary society is beset by a great and universal unrest. The hopes of the past - the Parliament of Man, the Great Society, the halcyon days of peace and prosperity, have not eventuated. Instead, war, disrespect for individual rights, crime and a ready made philosophy to accommodate these anti-social attitudes, constitute the condition of modern social life.

To a sceptic, apart from rare periods in history, and these confined to a few countries, political unrest has always been with humanity. Consequently, this age is no different to any other. But there are at least four ways it is different.

First is the wider spread and greater degree of education. Compared with former times, it is not nearly so easy for the authorities to obscure the questions of poverty and political injustice with excuses of 'hard times', or 'the will of God'.

Second is the speed of change. Owing to the accumulation of wealth and ideas from the past, which keeps mounting as the past is submerged by the future, the socio-economic condition changes with ever-increasing rapidity.

Third, the enormous powers of destruction, such as atomic fusion, chemical and biological warfare, which are the results of modern invention, threaten our complicated and delicately poised civilization. Within a short time, they could destroy humanity and the habitable surface of the earth.

Fourth is the long term destruction of the environment. One hundred years ago, there were pockets of decline, but the unused store of natural resources appeared so great and endless, that conservation was not even considered by the vast majority. Since then, increased invention and capital accumulation mean we are able to exploit the environment at a speed and extent undreamed by our forefathers.

As a result, degeneration caused by forest clearing beyond a safe minimum, overworking of agricultural land, rapacious mining of expendable mineral resources, over-fishing of the ocean, poisonous factory waste and air and water pollution, radically affect the environment. Unless we control these activities with care, we could destroy our world within a generation or so.

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Some unrest is of a national or a racial character, but most is socio-economic. A satisfactory social condition has either not been found or has not been published abroad with much vigour.

In the latter part of the 19th century and the earlier part of the 20th, many turned to socialism, or control of production by the state, as a way by which problems of ownership and distribution of wealth could be solved and a lasting and satisfactory social condition achieved.

There were many critics who directed their attacks at the lack of incentive that accompanies state ownership, at the irksome and unnecessary restrictions upon civil liberty, and the colossal bungling of a centralized economy. But, reinforced by the injustices and misery of the times, the tide of socialist enthusiasm, in its rush towards the supposed millennium, stifled these warnings.

After socialistic forms in Russia, Germany, and later in China, and examples of socialistic schemes in democratic countries, experience has revealed many faults in nationalization and has vindicated its opponents.

Hence we find that, with the industrially advanced and better educated peoples, socialism is no longer considered radical, or progressive; although it is still thought to be so by some who are trying to throw off tyranny.

In rejecting socialism, most modern thinkers have not yet settled for any other system. We are now in a period of economic nihilism.

Such is the course of events. Rejection of the old must come before acceptance of the new. The intervening void is filled with barren, sceptical attitudes and passive reason mixed with extreme physical violence in the shape of wanton destruction and terrorism.

When the period of negation is over, it is to be expected that people will begin casting about for new and positive ideas. The human mind cannot live for ever on a diet of negatives.



Apart from several minor trends, in the world today there exist two major social forms. First is what we shall call 'monopoly society' or false democracy of the West, with its repetition of boom and depression and its growing crime rate. Second is socialism, with its restrictions upon liberty, irksome regulation of individual life, and low production norms. Both these systems (if one may call them that), are very inefficient and unsatisfactory.

Let us search for another way - one that should lead us to a better society.

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CHAPTER 1

The early Economists

New economic interpretations arise from social changes. Adam Smith's *Wealth of Nations*, 1776, depicted economics from the early industrialist's viewpoint. Industrial society was the setting of Karl Marx's *Das Capital* which, describing the class struggle, tried to predict its outcome. J.M. Keynes's *The General Theory of Employment, Interest and Money*, written during the Great Depression, interpreted economic depression from the monetary position and gave a remedy. These approaches failed because they tried to demonstrate the broad science of political economy from a limited viewpoint.

Popular opinion is more recently moving towards a broader concept - the land, the environment, the cosmos. It is here we may hope to find the answer to the continued existence of human life in harmony with nature.

This treatise is an enquiry into twentieth-century society and presents the economics side of the environmental question. It suggests reforms necessary to save society from the disaster towards which it is heading.

In our quest, economics will pay an important part. So, assuming the reader to be a normal, intelligent person but with little economic knowledge, let us enter the discussion by asking: 'What is economics?' As the purpose of dictionaries is to define words, they should provide a satisfactory answer.

Nutalls Standard Dictionary reads: 'Economics...; the study of the laws of production, distribution and exchange of wealth; the science of wealth, its distribution, etc, in relation with social conditions'.

The Oxford Pocket Dictionary states: 'Economy; management of concerns and resources of community'.

Websters Unabridged Dictionary: 'Economics: the science that deals with the production, distribution and consumption of wealth, and the various problems of labour, finance, taxation, etc'.

And here is my own: 'Economics: the study of the management of land (natural resources) and labour factors together with their product, wealth - how the first two combine to produce the third, and by what means the third is distributed'.

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Strictly speaking, economics is not a moral discipline. It merely explains how the economy works. But sometimes, economists, being human, step outside the narrow confines of their subject to state the effects an economic policy has upon the morals of a community, or, conversely, what certain moral, or immoral, beliefs and actions have upon its economy.

In *The Wealth of Nations* (1776), Adam Smith (1723-90), regarded as the first great economist, expounded the hard, mundane facts of wealth production. He also wrote *The Theory of Moral Sentiments*, which considered society from a moral stance. Thereby, he was able to express opinion from either aspect.

However, extraneous impacts upon economics have much wider sources than moral considerations alone. For instance: bad management and disasters retard an economy.

While economics is a definite discipline within itself, it is linked to similar subjects such as politics, sociology, ethics and biology. If we are to regard economics in the large, we must also be concerned with these.

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When, why, and how did economics become a recognized discipline? In seventeen-hundred and sixty-three, Adam Smith, who was Professor of Moral Philosophy at Glasgow, accompanied the young Duke of Buccleugh, as tutor, upon an educational tour of Europe. In France, Smith met a group of economists - the physiocrats. They believed that as all wealth came from land, which no human being created, and whose value was an outcome of the enterprise of the whole community, past and present, all state revenue should come from the rent of land. This would return to the community the value it had collectively produced and leave private industry to get on with the business of trade.

Taxes, such as customs duties, which fell upon goods and services, thereby increasing their cost and price, were counter-productive and should be abolished, so leaving trade free to increase national wealth. Therefore, the physiocrats proposed one tax only - that upon land. It became known as the *impôt unique*, or in English: the single-tax.

The physiocrats had arisen in opposition to the mercantilists - the earlier orthodox economists. The latter believed that a nation's wealth lay in treasure such as precious metals and stones. Unless a nation had a rich, mineable supply of these, the best way to accumulate them was to maintain tariffs against imports. Exports of trade goods would then exceed imports and the difference be made up to the exporting nation, in gold and silver. This policy was found upon *Mun's England's Treasure in Foreign Trade* (1664).

Mercantilists and physiocrats were diametrically opposed. The former believed that both national and individual prosperity lay in taxing imports, which resulted in the accumulation of precious metals; the latter believed it lay in free trade.

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After returning to Britain, Adam Smith began writing *The Wealth of Nations*. It took ten years and was finished in 1776. He advocated free exchange of goods and services between nations. In this way, each could concentrate on those products it was naturally and economically suited for and exchange them with other nations, each of whom should concentrate on producing goods it was suited for. Specialization would lower the cost of production, with benefits all round.

With free exchange, he advocated low taxation. Taxation, though necessary, was an impediment to trade. However, he did not go as far as the physiocrats. He did not recommend the single-tax or rent for revenue theory. Actually, his idea of free-trade was only free marketing. Trade could not be considered free if it was shackled at its source, assuming land, from which all wealth comes, was monopolized.

Whether Smith was expounding a new doctrine, or merely supporting a trend that was already on its way, is difficult to say. Most likely, the great trade expansion, which started in the seventeenth century, would have continued in any case.

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Despite occasions when thinkers would announce statements of economic importance, before Smith, economics was just a part of overall philosophy. There were reasons for this.

In medieval times, most people lived on their estates, or those of their lords, and were almost self-supporting. They grew their own food, made their own clothing materials and clothes from their own wool. If they did employ tradesmen, usually the latter travelled from estate to estate in course of their work.

Rural folk sold their surplus produce and bought the things they required but did not find convenient to produce by themselves, from the towns. But these exchanges provided only a small part of their living, and most economies as practised were of a domestic nature.

Even in the large towns, where division of labour and exchange of goods was more common, most things that citizens wished to buy came from the surrounding countryside, or from the annual fairs which were held at the navigable head of rivers.

Although means of communication and trade were poor, there was some international traffic. Goods were carried at great cost over the ocean in small, wooden sailing vessels; across land by horse, or bullock dray; and along desert trails by pack camel. Consequently, the price of these goods was high and the amount of trade small.

In this simple, staid world, a discipline of economics was scarcely necessary; there would have been little to report, So, for some time, economics did not emerge as an independent science but remained with general philosophy (1.1).

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But there was another and, I think, more important reason why there was no independent faculty of economics. Ever since the early days of mankind, the pool of knowledge had grown and been stored, first in the human mind, and later in books and libraries.

In early times, the amount of collated knowledge was not beyond the capacity of an intelligent mind to encompass. So general philosophers - those interested in all there was to know - prevailed. But, with time, knowledge kept on increasing, and the sum-total became too much for any one mind to contain. So various aspects of philosophy began to hive off into independent, specialised disciplines, such as geology, biology, mathematics and, of course, economics.

Eventually, even these grew to such an extent that they *themselves* had to be split into departments. Considering economics, today there are: banking, taxation, statistics, land economics, domestic economy, etc.

Usually a scholar becomes competent in one of these with but slight knowledge of the others. However, the faculty is still studied by some in a general way. Formerly known as political economy, this approach is now called macro-economics to distinguish it from micro-economics, which applies to parts or departments of the discipline as described above.

Inferences drawn from micro-economics are not always the same as those from macro-economics; sometimes they are the direct opposite. For instance; a firm may be run as a competent business, keeping books, making out an annual balance sheet and showing a handsome profit; in other words, a micro-economic success. But it could be an isolated firm that is prospering in an economy that is otherwise collapsing; therefore, it would not be a true indicator of the affairs of the whole economy. When Adam Smith wrote *The Wealth of Nations*, the title left no doubt that he was referring to an overall or general conception - meaning political economy.

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The classical economists - those schoolmen, beginning with Smith, on to the early twentieth century - used deduction with abstract reasoning as their main method. In order to protect them from outside influences, phenomena are abstracted from their matrix and examined in isolation. For instance, Adam Smith separated economics from the rest of philosophy and treated it on its own; thereby launching political economy as a discipline in its own right.

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The reformation of religion, which started in the fourteenth century and the renaissance of art which followed, and which, combined, we call the *Enlightenment*, ushered in a new and broader concept of the human as an individual. It was assumed one had certain rights by mere presence on this planet. In England, this led to partial control of parliament by the common man, ie the House of Commons, and resulted in a number of bills of rights. Abroad, it produced the American Revolution with its slogan of 'No taxation without representation'. And the French, pursuing the ideals of 'Liberty, Equality and Fraternity,' which were never completely realized, abolished the old regime and installed another system - the Republic.

One of the postulates of the new philosophy was that all persons are born equal. (When Adam delved and Eve span, who was then the gentleman?) Some, mostly biologists, have argued that humans are not born equal at all - that they vary as individuals both physically and mentally. The first opinion arose from social reformers. What they meant was, at the moment

(1.1) It is not surprising or rather shocking that this science of sciences is yet without professors, or adepts, or general principles, Le Mercier de La Riviere, 1761.

of birth, the child did not belong to a social class. If you exchanged two babies, one from the lower with one from the upper order, their roles would be reversed and characteristics and habits would be determined by upbringing. Nevertheless, the Colonel's lady and Judy O'Grady were sisters under the skin. So called 'breeding' was a matter of environment and not of heredity.

However, regarding individuals, the biological assessment was right. We come in different shapes, sizes and mental capacity. We are not equal. In fact, apart from identical twins and multiples, it is almost sure that each person has differed from all others ever since human life began.

Consequently, as little control as necessary should be placed upon the individual, so each may develop his own personality to the limits of social equality. And, despite contradiction, this was the conception of liberal philosophy. Justice coincided with equality and by its nature had to be impartial, regarding all persons as equal before the statutes.

Such a concept was opposite to the ancient system in which different values were consigned according to class. If an aristocrat murdered a peasant, it was not considered as criminal as if a peasant murdered an aristocrat. The life of the latter was supposed to be more important and valuable than that of the former. And punishment was assessed accordingly.

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The philosophy of equality and freedom, which had begun in Britain and western Europe, was creeping steadily eastward and, in Germany, although the aristocrats still held sway, a large body of liberal opinion had come into being. Amongst conservatives it caused dismay. They considered that another conception was required to counteract liberalism.

Georg Hegel, Professor of Philosophy at Jena University and later at the University of Berlin, was the leading light of the anti-liberal movement. So we shall consider him as representing the whole.

His system was comprehensive, covering many more branches of learning than politics and political economy. But here, as far as possible, we shall consider it only in relation to them.

The method has often been called Hegelian Dialectics or Hegelianism, to distinguish it from others.

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Considering the relationship of phenomena to surroundings - with the part to the whole and, socially, with individuals to the state, its procedure is by synthesis, as opposed to analysis, which was used by classical economists to examine component parts, their interplay with each other, and their use within the economy.

In other words, analysis is concerned with internal structure of phenomena and synthesis with surroundings to which they are related, including the way they fit into the time sequence. The symbol of the first is the microscope and, of the second, the telescope.

But to concentrate on one without recourse to the other, is to present a biased argument. Studying economics, we should first analyse our subject, examine its factors, and note how they function in relation to one another. Then we should arrange them in order, and fit them back into their matrix, meaning the whole science. After this, we should consider the subject in relation to its surroundings and to the universe. Thereby we may obtain a true and comprehensive picture. This method of procedure is known as 'eclectics'.

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Hegelian thinkers criticised the classical economists because, to study them without influence of outside forces, they isolated parts of the economic science from the whole and treated them independently by abstract reason. Hegelians considered that the classicists findings were too limited and so fell short of all the facts.

Again, Hegelians thought that between the individual and the state there were certain organizations; church, trade union, club, seminary and so on. But these, while more important than the individuals who composed them, were subordinate to the state, as they could not operate without its support. Therefore, the state was all important - the agent that bound individuals and social groups into one comprehensive whole.

But this Hegelian or 'organic state' theory went even further. It assumed that the state was a living creature with a purpose of its own - one that far transcended that of the individual. It claimed that those social philosophies based on individual rights, with the state existing for the benefit of the individual (as liberals believed), or his detriment (as anarchists believed), were incorrect and too cursory an examination of the subject. That the true centre of individual life lay outside oneself and in the state.

By surrendering the self into the arms of the state and becoming one with it, as a drop of rain becomes one with the ocean into which it falls, a true and definite type of liberty is found. A person is enabled to enjoy security and benefits of communication with his fellows. His life achieves a meaning far beyond anything that could be expected by himself alone. The state becomes 'the march of God on earth'.

Hence, the idea of the solitary individual just did not make sense and was not of the Hegelians' own choosing but allowed by them as a hypothetical concession to those who did believe in it. To the organic state theorists, the individual could not exist without the state (1.2). Not only was it his refuge and the hierarchy of human groups but the main determinant of his actions. And also, the state, because of its superiority in all human affairs, should have control of trade and was entitled to do as it thought fit.

According to extreme Hegelian theory, war is the eternal occupation of states and peace merely a period of preparation between wars. War is the arena in which states struggle with state. The victor absorbs the vanquished and uses its added strength in struggles with other states. Thereby the stronger and more efficient survives. A sort of natural selection of states.

Spengler said, 'War is eternally the higher form of human existence and states exist for the sake of war. Even were a weary and lifeless humanity desirous of renouncing war, it would be the subject of war, the object of war and with whom others would wage wars.'

To such an explanation, the first feeling of those reared in western traditions of individual freedom is revulsion. How could one find refuge in a state devoted to war? The cruel and lonely death of the soldier on the battlefield; the stark privations of civilians exposed to war; the wanton destruction of the environment; all contradict it and would render life meaningless to most of us. Besides, in modern times, whenever war has been declared, the state has called upon the citizens to protect it - not for it to protect them.

Rudiments of the Hegelian system are much older than Hegel. They were understood by the ancient Greeks; by Sophocles, who appeared to be at variance, and later by Plato and Aristotle, both of whom were sympathetic.

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In 1867 the first volume of three of a huge treatise, 'Das Capital', was launched by Karl Marx and Fredrick Engels, two Germans, Marx was the predominant collaborator. He had attended Jena University and, in 1838, the Berlin University, Hegel, the professor we have just discussed, had been dead a few years, but his influence still remained at Berlin. It supported the idea of a class society.

Marx, in common with many other students, amongst whom was Frederick Engels, became interested in Hegelian theory. But Marx was a rebel and, although absorbing Hegelianism, he altered it. Instead of the state being the important one, it was the class. Instead of wars between states constituting history, it was the class struggle.

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(1.2) Man cannot be imagined outside the state, the state is the totality of all human concerns. Adam Muller.

The 19th Century was a time of turmoil. Feudalism, the ancient social system, had been superseded. But the society that replaced it had its troubles. There were many diverse opinions of what was wrong, and many critics. Some were influenced by Hegelism, and Marx was one of them. He believed the trouble was that production depended upon private enterprise, which to him was very inefficient, produced much poverty, and was intermittently breaking down.

The remedy was to abolish the system, which he called 'capitalism', and replace it with 'socialism', which, to his idea was a working class state control of production, distribution and exchange. He called this the 'Dictatorship of the Proletariat'.

As the capitalists were well entrenched and not likely to abolish capitalism, they would resist change, so the only way was by revolution. Thus he differed from most socialists, who favoured reform by constitutional means.

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During 1917, the Russian proletariat revolted against the semi-feudal system of the Czars, Marxian socialists, now calling themselves Bolsheviks or communists, saw their opportunity and, betraying the other revolutionaries, seized power and set up a Marxian type state. This gave them an ideal chance to try out their system. But it has failed miserably. and after seventy years the salient question remains, why was this so?

Marxism does not fit in with human nature. We are all individuals with individual hopes and ideas. Apart from a few leaders, Marxism considers individuals only as units of a social whole. But, while we are social creatures, we also have our own private lives to consider. Under irksome restrictions of a socialist society liberty is stifled and most individuals are frustrated and live in fear of that knock on the door in the middle of the night. They consider that life should hold something better.

Again, the socialist state is controlled by bureaucrats, who are better talkers than thinkers. The result: A crippling of private enterprise and elevation of staunch party members and blunderers to the seats of power, where they interfere with and impair the normal production process and persecute people. Consequently, the system does not produce enough of the necessities of life to satisfy all, and what is produced is not fairly spread among the people.

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To return to Marx: by the time he had written the first volume of *Das Capital*, a change in his thinking had taken place. He wrote: '...the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production' (1.4) - not the involvement of capitalists as a contrary force to feudalism.

Consequently, we could be influenced to assume that, if the labourers could regain their rights to the soil, the so called capitalist system would disappear. We shall discuss this in the following chapter.

(1.4) *Das Capital*, 'Chap. 32', Moscow, 1967 translation.

CHAPTER 2

Henry George and the Land Economists

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In 1879, a large economic treatise called *Progress and Poverty* appeared. It was the work of Henry George, an American.

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Beginning from easily understood or axiomatic premises and proceeding by abstract reason, he unfolded an economic interpretation based upon land.

Land is the foundation of all material existence. We cannot live without it. If we are to have equality of opportunity, we must have equal access to land. Even if we fly high in the sky, or settle on the moon, we must have access to land. Without land, a person can only be considered as a disembodied spirit and, as such, would not be the subject of economics. These statements are logical and absolutely irrefutable.

Land has to be present before humans, other creatures, or objects, can exist. As land precedes everything else in the material world, it is the most important factor of material existence and the basis of economics. This has been and will be so as long as humanity exists.

The other necessity of production is labour, or human exertion, both physical and mental, which results in production of goods and services.

Goods, the tangible products of land and labour, are also called wealth. Although important, wealth is not as fundamental to economics as are land and labour. It is also transient, and the moment it is produced will begin to disintegrate and return to land, ie to the environment. However, if serviced by labour, the return may be retarded.

Wealth is divided into consumer goods and capital goods. The former is required to satisfy immediate needs and wants; the latter is put aside to be used by labour in future production; just as a baker puts aside a portion of dough to leaven the next batch of bread.

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We have now accumulated enough terms to stop our enquiry for the moment and clarify them. Economically considered, the term 'land' is in some ways narrower and in others wider than the same term in everyday use.

The economist is concerned with land minus improvements upon it. The latter are wealth, as they are the product of land and labour, and where used in production, are capital. On the other hand, the term land includes natural resources; soil type, topography, climate, elevation, indigenous water supply, native forests, etc. In toto, it is the environment. But the value of a plot of land may also be influenced by certain social services and conditions; markets, nearby presence of civic and commercial centres, reticulated water, sewerage, sealed roads, political security, density of population, and a thousand and one other factors provided by nature or by the community.

But land value may be reduced by soil erosion, salting, pollution of both air and water, noise, war, corrupt government, bad seasons, economic depressions, social insurrection and other detriments.

Where markets operate without unnecessary impediment, in most cases the supply of different articles of wealth may be varied to suit demand, but the supply of land is naturally limited. If demand for land increases, the quantity still remains the same. The value of most land increases instead. Consequently, if such land is privately held, a monopoly is created. The central theme of the Georgan philosophy is how to break or to compensate for this monopoly.

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Labour, the other basic need for production, consists of human exertion that produces goods and services, preserves that which has already been produced, or channels ahead for future production; that which we call research. In other words, labour is work necessary to maintain the economy or to increase its future productive capacity.

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Wealth - the product of land and labour - is of utmost importance to our livelihood and humans could not exist without it.

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Capital - that portion of wealth put aside to be used by labour in future production - is an economic factor of all human societies, although relatively small in primitive ones.

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To recapitulate: of the three factors of production, land is limited in quantity and hence in supply. Again, some land, such as deserts, may be of little value. But, excepting such, as land is absolutely necessary to everyone, possession confers a privilege.

Although we all need land, the nature of different occupations means that some persons need to hold more than others. A farmer needs a large area of relatively cheap land; a manufacturer usually needs a small area of dear land; a town worker usually needs only a building block. If we are to be equal as to rights, we should be equal in our rights to land; so each should pay the annual rental value of his landholdings, meaning the site rent or ground rent, into a common fund or treasury. The state may then distribute this fund to the community in the shape of public amenities and some, perhaps, as national dividends.

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There are two ways of regarding rent. First, as a social product. No individual creates it; it arises out of the labour of the whole community - the result of combined activities of people - a benefit of association. Second, which is specific and comparative, rent consists of the considered advantage of a particular parcel of land over the least desirable land in use. George calls the latter the margin of cultivation or marginal land. Here, wages are the only returns from production. But, regarding better land, we find that there is a surplus above wages, and this is the rental value. Therefore, according to George, rent depends upon the margin of cultivation.

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A 'Law of Rent' was formulated by the economist, Ricardo, 1772-1823. His definition was: *The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use.* But he saw rent only as a phenomenon of economics - not as the basis of an economic system. Besides, Ricardo's explanation was an agrarian one. During his time, society had not completely emerged from its feudal chrysalis. And his economics was influenced by it.

The Ricardo's view was limited in other ways, as we have discovered earlier in this chapter, there are social implications that may give value to land and hence to rent. So, apart from its value as to production, it may have residential value. People are usually willing to pay a higher rent to live in a middle class or bourgeois suburb than in an industrial one; or, perhaps, to live on a hill rather than in a valley subject to flood.

Henry George's system, is an extension of that of the physiocrats (See Chapter 1), who advised that the sole revenue of the state should be a 'tax' on land. This, they called the *impot unique* or, in English, the 'single tax'. The latter name was adopted by Henry George for his system. But his idea of rent resembled that of Ricardo. However, as with the physiocrats. George advocated that the rent of land, ie the ground rent, be the sole fiscal revenue of the state.

Some confusion arises by calling this sole revenue the *impot unique* or single tax. A tax implies a levy on private wealth. But rent, which in the large, arises from land use, does not result from the efforts of anyone alone, but of people - ie collectively. It is the property of us all. And we cannot tax our own property. It would be merely taking money out of one pocket and putting it in another. So, although in everyday speech the term 'land tax' is used, it is not fundamentally correct. Therefore, in this treatise, when referring to the yeild from land, we shall use the word 'rent' and not tax.

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During the last century, in certain pioneering countries, such as Australia, one could go onto the public domain or a pastoral lease and claim a 'selection', or in the United States of America, a 'homestead', of a prescribed area and, after fulfilling certain conditions, obtain a conditional purchase title.

This was the time of Henry George, and it must have influenced his thinking. Today circumstances have changed, and it is doubtful if in any country you could find a margin of cultivation beyond which land is free. There would be some sheikh, speculator, or aboriginal tribe who, with the blessing of the government, claimed the whole of the vacant land in the territory under discussion; or perhaps the authorities had decided not to open up any more land for settlement, but to keep it for public parks or for conservation purposes.

Although differences in rental values for diverse plots of land still remain, under modern conditions, we have to discard the idea of rent basically depending on a margin of cultivation which no longer exists and accept a broader and simpler definition:

Rent is the hire value or hire price of land.

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We may regard wages as the labourer's share of production. But what determines wage rates as to time and place?

In a pioneering settlement where land may be had free, workers may obtain land and work independently. They are not likely to work for anyone else unless they obtain as least a satisfactory return as by working for themselves. This sets the lowest wage they will take. It is equal to the value of their labour.

With time, and assuming land is being possessed by private persons, the perimeter of settlement becomes pushed back to more remote areas and rent will appear in earlier settled districts. Owing to natural advantages, in which we assume that the most desired land has been settled first, and of the greater social and economic advantages, such as aesthetic pursuits, division of labour, benefits of association, improved communications and capital growth, which are more prevalent in populated districts than in newly settled areas, these earlier settled lands will be in greatest demand; hence rent will increase there. And the nearer to the centre of social and economic activity an allotment of land is, such as the business district of a city, the higher the rent will tend to rise. But at the margin of settlement, where land may be had free, it will still produce no rent but only wages. And true wages will be determined at this position. And such was George's explanation.

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But when all useful land in the vicinity is privately possessed, and the margin of cultivation becomes too remote, or inaccessible, for occupation by most workers (for example; if it is in a far country), wages will be fixed by competition between workers, to the minimum they can live and reproduce. And this is known as the 'iron law of wages'. It determines wages in most countries.

As they control land, which is the basic support of life, landholders have a great bargaining power over wage earners, who have only labour or its product to sell. The former can hold wages down to subsistence levels. The worker has to 'take it or leave it'. Which means take it or die.

But there are exceptions. Sometimes, such as the early stages of a boom, a brisk demand for labour causes wages to rise above subsistence, but during a depression, they may drop below this level, and some would be workers are unemployed.

However, a worker may possess skills in demand and, depending on the pressure of that demand and the number of such workers, his wages will be set above the lowest level. Or, perhaps a worker belongs to a strong trade union which manages to raise the income of its members above the common rate of wages by limiting the numbers entering the trade, with holding, or threatening to withhold labour unless union demands are met. But the result is achieved at great cost to the economy. Strikes mean loss of production and hence of employment. They also provoke unlawful acts such as interference with independent workers, destruction of plant and general disruption of industry. Besides, gains due to union influence are only sectional. They are confined to certain sections of industry, and are not really increased wages but the result of labour monopoly power.

In some countries, there is broad based legislation designed to hold all citizens' incomes above the poverty line. But this is a clumsy and costly way to obtain a slight gain.

There may be social services such as pensions for the aged and infirm, and relief for the unemployed. They may not actually starve but exist just above the bread line. They are regarded by the establishment as useless persons, denigrated to second class citizenship, and suffer all the frustration and despair accompanying that estate. But their incomes, even though slight, present a base below which wages will not fall.

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Henry George's proposal, collection of ground rent for public purposes, would mean that anyone who held exclusive possession of a block of land would have to compensate the community for being excluded from it. If ground rent were paid into the public treasury, the bargaining power of land-holders over workers would be broken. The former would be obliged to pay the rent of their landholdings to the state, and so would hold no more land than they could manage. Rather, they would sell their surplus land titles at the price of improvements, and possession would be available to everyone on that basis and on equal terms. The iron law of wages would be no more, and the worker would be able to obtain a just wage as in a pioneering settlement.

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Abolition of taxation is the second leg of the Georgean program. The history of taxation may be traced right back till it disappears in the mists of the ancient past. However, despite the saying that the only certainties in life are death and taxes, there have been times and places where there has been little or no taxation and others where taxes have been so heavy they have absorbed most of production.

The most adamant opposition to taxation is that it is an imposition upon labour and hence is unjust and immoral, and also it inhibits production. Tax windows and they will be bricked up. Tax chimneys and people will pull them down. Emmerson once remarked words to this effect: Tax too heavily and the revenue will yeild you nothing.

Cost of collection is also against taxation. However, it varies according to the type of tax. In most cases such costs are considerable and add an enormous amount to prices. They also tend to repeat at every stage of production.

In our complicated economic system, with its division of labour and diversity of production, goods are produced in several stages. For instance: wheat is produced by the farmer, ground into flour by the miller, and baked by the baker, and there are many in between operations, such as transport, which in many cases are done by independent firms, each having to pay taxes on the results of its industry. There are many such taxes, ie sales tax, tarrif duties, payroll tax, income tax.

Each operator, who is able to fix the selling price of his product, adds tax with other costs and calculates it from there. The price at each stage towards the ultimate product is thereby increased beyond what it would be without taxation. The price of the product of each interjacent industry is a cost of that of the next stage of production. Proceeding towards consumption, we enter the ridiculous predicament of taxes upon taxes. Add all of these taxes together, and you get a glimpse of the extent of the burden of taxation.

Most of these taxes will be passed on till the product reaches either unprotected, or lowly protected industry, where the producers have little control over price, or to the ultimate consumer, who will pay off-loaded taxes in increased prices for his purchases. With many products, taxation forms the greater part of price.

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On the other hand, rent used for government revenue cannot be passed on by landholders increasing prices of goods and services to the public, as rent is fixed by competition for land and is always at its optimum.

In our society, landholders, as such, pay little or no rent to the government, and, to obtain revenue, the state has to tax labour directly, or by imposition on labour products. Taxation inhibits production of goods and services, and those which are produced go largely to parasites or monopolists. Such a system is unjust, inefficient and not free. It should be done away with but only to produce a fairer and juster system. If allowed to remain, inefficiency and injustice will increase until they eventually overcome the good and productive forces of the economy, and the social structure of the country breaks down.

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As compared to rent for revenue, taxation methods are roundabout, inefficient, costly and less effectual. They fall mostly on labour, restraining it, so that the sum total of production is lessened. Collection is costly, and the amount collected falls short of the total rent of the economy, otherwise land titles would have no selling value apart from improvements.

Since George's day, there has been a tendency for taxation to increase. However, increased production, due to invention and capital accumulation, means the percentage of taxation in relation to income differs in divers places.

Some reformers have advocated taxation of the rich for the benefit of the poor. This theory assumes that taxation is an equitable redistributing agent that may be used to bring incomes nearer to equality. But in monopoly society the effect is to widen the gulf between the rich and poor. Generally, the rich can pass taxes on in price and through monopoly. But the poor cannot, or not to any extent. And that may be the reason why they are poor.

Some modern economists do not consider taxation from a moral stance but merely as a mechanism useful in adjusting a fiscal policy directed towards full employment. Thus they throw into the hands of the politician a weapon that may be used without the restraint of moral stigma. This gives excuse in various state departments for the bureaucrats to squander money, assuming that any shortage may be made up by laying more taxation upon the people, even though it may drive them to indigence. Furthermore, wasteful expenditure is a major cause of inflation.

There is a moral argument that taxation, which falls upon labour and labour products, is theft. For instance: in a monopoly society, benefits such as good roads, parks, bridges, etc, arising out of state works which are paid for by such taxes, accrue, not to labour, but to land monopolists, with the landholders nearest the benefits, receiving the greatest share, thereby robbing the rest of the community.

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Along with the rent for revenue idea, George advocated a free marketing system. Tariffs are taxes which inhibit trade and give privilege to certain favoured local producers. They encourage inefficient production with high prices and hence are inflationary. In particular,

they impose upon exporters. Industry should be free of such impediments so it can proceed with the production of goods and services without hindrance, and in the most efficient manner.

George is the only economist who attempts to closely define the proper revenue of the state, so that individual economic rights may be secured. For its fiscal revenue, the state is to receive the rent of land. Taxation of goods and services, which is advocated by most economists, is to be abolished. With the existing tax system, there is no correlation between what the state and the individual are each to receive, or retain, and taxes may be increased till they amount to a confiscation of all private property. Direct confiscation is the way of Marx and extreme socialists. It is also the ultimate in taxation. In contrast, George proposed a balanced system, with both state and citizen receiving their just and appropriate incomes.

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Progress and Poverty was written at a time when the underprivileged were seething with discontent. The wonderful inventions of the nineteenth century had relieved labour of much wearisome burden by substituting machines to do the heavy work. It had been expected that this would emancipate the workers and give them a bigger share of production, but such had not eventuated. Long hours of sweated labour and other indignities and persecutions still remained. Mankind was calling out for such a book as *Progress and Poverty*.

Soon after publication, it became a best seller - very unusual for an economic treatise. The author found himself famous and spent the rest of his life as a writer and public lecturer. He travelled North America, Europe and Australia, and wrote many pamphlets and another five or six economic works, amongst which were: *Social Problems, Protection or Free Trade and the Science of Political Economy*. All of which, like *Progress and Poverty*, have been translated into several languages. Publications have run to millions of copies. But none of these later works has been so popular as *Progress and Poverty*.

George attracted disciples whose number kept on increasing. His theories became so widely discussed and popular, it seemed as if they were taking over the trend of radical political thought. Many of his followers were religious and of different sects. In his works they saw an answer to the enigma of poverty amid plenty in a progressive society, thereby aligning economics with Christianity.

His policy was accepted by certain radical parties and working-class associations. For instance, the Australian Labour Party was formed by Georgians (single taxers) in conjunction with some trade unions, and many trade unions in USA supported his cause. In 1886 he was nominated by the United Labour Party to run as candidate for Mayor of New York and was almost successful.

He remained popular till he died in 1897. Afterwards his followers carried on, but none equalled his dynamic personality. And also, within the union movement there were those who were not satisfied with George's economics.

First: The critics were not diametrically opposed to it but considered George had not gone far enough. If the private retention of rent was morally wrong and indefensible, then, as interest and dividends also rendered private incomes for no effort on the part of the recipients, they also were wrong. Maybe land monopoly with its outcome, private rent, was the worst form of injustice, but, they said, these other returns were of the same nature, and George had presented no argument against them. In fact he was in favour of interest as a payment to the investor for the use of capital. Therefore opponents regarded him as a pioneer reformer who had not gone far enough. This difference of opinion drove a wedge between the single taxers and the dissenters, influencing the latter to abandon Georgism in favour of Marxism (2.3). From then on, Marxian socialism gradually permeated the trade union movement.

(2.3). The Marxists could never accept his defence of interest, for one thing, and he could never accept the fundamental and anti-individualism of socialist philosophy.

Edward J. Rose, *The Life of Henry George*, p.99. Twayne Publishers: New York.

The first English translation of Marx's *Das Capital* was published in 1887. It advocated the nationalization of all private holdings, ie of land and wealth, and hence of rent, profits and interest. Consequently it satisfied the critics' ultimate objectives.

Second: Trade unionism originated in strife and used strife as a means. This was in accord with Marxism. In contrast, George proposed a system calculated to bring strife to an end and replace it with harmony and emancipation of labour. Marx proposed a system that, he thought, would ultimately have the same effect. But while the Georgian system offered justice to all and privilege to none, this could not be said of the Marxian - ie the Dictatorship of the Proletariat. At least, not till the time the Dictatorship expired and halcyon days of true communism begun.

Third: Lust for power has always appealed to a section of the human race. It is actually a propensity of those who are too weak to maintain unity within themselves and have to draw support from others. The individual, overcome by ambition, uses any method, good or bad, to satisfy his lust. It is a form of sadness that has had a tremendous, harmful effect upon the human race. And certain influential positions, such as sinecures, which are usually created by the state, are attractive to the ambitious, even though they may not have the capacity to discharge whatever duties these positions demand.

In regard to the above, socialism, the nationalization of all industry, created the prospect of the existing union officers becoming commissars of their particular industry. Then they would control not only the labour section, but the whole trade. *Their* power and importance would be enhanced. As willing players in the power game, they were attracted to this policy. Georgism, which proposed justice to all and privilege to none, had no power appeal.

Fourth: Since the early eighteenth century, in western Europe there had been a discernable shift of economic activity from the countryside to the towns. This has been called the Industrial Revolution. Although compared to the speed of advancement of more recent times. It would have looked like a very mild change. Its importance lies in the alteration to economic and social life.

When George and Marx wrote, in western democracies, rural numbers were still large but shrinking in proportion to town dwellers. Hence opinions of rural folk were becoming less influential in human thought.

More and more people were working in an enclosed space - a factory, an office, a mine. At sea, steam was replacing sail, A stoker, working in the bowels of a ship, had a different view and experience than a sailor, who climbed the rigging and tended the sails. The former was conscious of the boiler, the coal bunkers and the hold in which he worked. The latter was aware of the vast world around him - the sea, the stars, the sky, the clouds, the sun and the rain.

No doubt the move from countryside to town was conducive to material progress. It allowed for greater division of labour and increase in production, and a venue for the exchange of ideas and goods. It also rescued the producers from direct dominance of the great feudal lords. But, due to the divorce from nature, and the increase of specialized occupations, the life experience narrowed and so did the opinions of the people.

In a mine, a factory, an office or a steamship, the worker became most conscious of the machine at which he worked. It seemed the important thing by which he gained a living and, as his attention was directed towards it, he forgot about the land beneath his feet. But it was still there and the prime necessity of himself, the machine, the building, or the ship.

Under this circumstance, the machine was power driven and therefore appeared to be driving the worker as compared to the hand driven tools used by artisans of former ages. Hence the modern worker felt he was a slave to the machine and consequently hated it. A hate which was transferred to the owner of the machine - the capitalist. And so the *enemy* of the working class became falsely identified, while the real *culprit* - the landlord - became obscured.

The workers felt that, if they could obtain ownership of the machines, ie capital, they *themselves* would have the power. Thus the fallacious or Marxian reasoning of the proletariat became established, and the existing system became known as 'capitalism'.

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With the eclipse of George's social philosophy, it began to receive less publicity, and his followers gradually dwindled in numbers. However, in Australia, New Zealand and, to a lesser extent, USA, his method has been adopted by some municipal councils, and rates are assessed on the site value of the land - ie without regard to improvements upon it.

In USA, there are a few settlements where Georgism is successfully practised as far as possible within the limits of a monopoly society. Apart from them, there has been very little doing in the movement for years. However, the philosophy still lives and, in esoteric groups, the faithful manage to survive. Numbers are sustained by diligent enquiries seeking a better society.

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I have discussed Henry George extensively, because he is a writer who has been deliberately neglected. Today, most people and many economists have never heard of him, or he has been brushed aside as a crank. The result is that enquirers tend to investigate his ideas no further. But he has been supported and praised by some of the greatest thinkers, such as Einstein, Tolstoy, Dewey, Hubbard and Sun Yat Sen, the Chinese reformer. Similar policies have been advocated by Paine, Franklin, Wallace, and Dr Nulty, the Bishop of Meath and, after more than one hundred years, his philosophy still attracts followers; so he is at least worthy of consideration.

One would think that the commotion he caused in his lifetime - the crowds that supported him - the enormous sales of his books - the altercations he provoked - and the influence he had on religious as well as social philosophy - would have assured his fame. But there has been a strong and, so far, successful attempt to obscure him and expunge his name from history.

With his logical criticism, he endangered the establishment by exposing their methods of exploiting the public. But his philosophy has been obscured by the most effective method - disregard. Voltaire's complaint pleading his contemporaries to discuss, criticise, abuse, if they wished, but not ignore him, would apply to no one more so than to Henry George. But his is only one case of history being distorted to suit the establishment.

As the term 'monopoly' is of great importance to our discussion, before proceeding further, let us define it.

We shall not use it in the hair-splitting sense as did some of the mathematical economists, such as Chamberlin, who confined it to its narrow and precise meaning of 'one seller' (although it may refer to a number of sellers agreeing to one price) but rather in the broader sense of 'restrictive trade practices'. This results in the monopolist having certain amount of control over some price, or prices.

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The two most ancient and severe forms of monopoly are those of slavery and land. The former derives from the direct control of the life and person of the exploited; the latter over the land upon which he must live and draw his subsistence.

Chattel slavery no longer exists as a dominant custom in western society, and so it is not our concern in this essay. But land monopoly still remains and grows in importance with every increment due to increased efficiency of industry and growth of population.

In tribal society, land monopoly was an inter-tribal affair. Big tribes held the best hunting and fishing regions. In the pastoral society that followed, the stronger patriarchs were able to control the superior grazing lands and drive the weaker away to barren places.

Large, vigorous, belligerent states have always coveted the lands of surrounding peoples, especially when the latter possessed areas of fertile contry, and the history of most wars consists of the attempts of strong nations and tribes to unshrp the lands of the weaker.

Later, when means of communication extended to global proportions, the strong nations of Europe were able to reach out and annex territories in the far corners of the earth, so creating the era of colonialism.

By a strange quirk of fate, the deserts of north Africa and south west Asia, once recognized as barren, are now, owing to immense oil reserves, considered as most desirable and give a monopoly to the possessors that allows them to hold the rest of the world to ransom.

With settled forms of existence made possible by agriculture, land monopoly appeared in a new and individual aspect. In order to make soil cultivation possible and protect crops from animals, it became necessary to divide large areas into fields and fence them off from pastoral areas.

With advance of civilization, the economic centre of society shifted from the agricultural countryside to the towns, and it was here that high rents, land monopoly and speculation began to assume enormous growth, thus relegating rural land monopoly to secondary importance. Today, in advanced communities, it is the site values of great cities and their suburbs, with which we are most concerned when we speak of land monopoly.

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Despite the convenience or the necessity of private landholding, there is no right that gives absolute private ownership of land. This is easily understood in tribal society, as the tribe's land is deemed to be *its* property. However, land titles may be invested in the chief as steward of the tribe, but not as the property of his person. Sometimes, as with the Scottish clans, after they had been submerged by the nation state, the chieftians or trustees of these tribal lands, by influencing the legislature, managed to secure the titles in their own name. Thereby creating private monopoly and an aristocracy. Even so, this did not give them absolute ownership, I shall quote two pertinent opinions although there are many others:

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'The land shall not be sold for ever: for the land is mine: for ye are strangers and sojourners with me'. *Leviticus, xxx, 23.*

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'Men did not make the earth... It is the value of the improvements only and not the earth itself that is individual property... Every proprietor owes to the community a ground rent for the land which he holds'. *Tom Paine*, 1743-1825.

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At most, possession or defacto ownership is the only sustainable claim. As there is no absolute ownership, land cannot be bought or sold. But possession of land may be equitably transferred from one party to another.

What gives the landholder security of possession? It is the title deeds, which describe the land in question. They are covenants between state and landholder, which define duties the landholder has to perform and privileges he receives.

In mediaeval times titles were sometimes given by a monarch to his favourites, or to his servants, such as army officers. These titles usually required obligations such as providing soldiers in time of war, or furnishing necessities: accommodation, subsistence, use of horses and carriages and entertainment, whenever the king was quartered in the incumbent's locality. Titles to surrounding lands were given to churches so that clergy and church properties could be maintained by the rent.

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Whether it acts rightly, or wrongly, a state depends for its existence and continued existence upon the use of force. If it cannot maintain sufficient force, it soon fails. If it has the power to grant titles, it also has the power to rescind them. This has often been done. Sometimes titles have lapsed and been resumed by the state, because there have been no male heirs to carry them on. Maybe the incumbent had fallen foul of authority or had pledged allegiance to a dissident party. If the latter was successful in gaining office, the landholder in question would probably be given possession of more land and his power enhanced. If the party failed in its aspirations, the incumbent would not only risk being divested of his titles, which would most likely be given to a loyal subject of the ruling power, but he would also risk capital punishment.

When certain prelates fell out of favour with Henry VIII, he divested the church of many of its land titles and gave them to his favourites. Of such was the estate of Newstead Abbey, the titles of which were presented to the poet Byron's ancestor. Again, some of these church lands were returned to the public domain, as was the Manor of Hyde, now known as Hyde Park. Later, titles to this estate were distributed by Cromwell to some of his followers, only to be taken back by the Restoration Government of Charles II.

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During colonial expansion, titles to huge tracts in the colonies were given to military officers and other employees of colonial governments. In many colonies, the area of unsettled public domain was so great that almost any free settler or even emancipated convict was able to secure land titles.

In New South Wales, settlement extended so far and fast that in 1835 the government passed a *Limits of Location Act*. A line was drawn, beyond which it was illegal for settlers to select land. The government felt that it did not yet have enough resources to provide services such as police protection, law courts and roads, beyond this line. But the act did not deter adventurers, and they moved into the proscribed areas, pegging out huge tracts and quarreling between themselves as to where boundaries should be. In 1848, faced with a *fait accompli*, the government relented and leased out the lands in question in large blocks of thousands of acres. It was so leased because the livestock carrying capacity of the lands was yet unknown. Fee simple titles were not given straightaway. But later, in many areas, these blocks (called stations) were cut up into what were considered to be home living areas and more permanent titles given. At first, they were conditional purchase titles, which required certain improvements to be done within a stipulated time. Assuming conditions had been met, fee simple titles were offered in place of conditional purchase.

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Australian aboriginal claims to land, if they ever existed, were ignored. The aborigines had only unwritten or spontaneous claims, nor did they understand written statutes. All they knew was that the land which without question appeared to be the property of the tribe, was being taken over by the new-comers. Nor is it likely they were aware of the outcome - their race wilting before the white man's advance.

Dispossession of the aborigines was much the same as that of the English peasants under the enclosure acts which abrogated ancient common claims. Neither the peasants nor the aborigines knew how to prevent it.

Most tribal peoples have been faced with the same problem. But sometimes they sought to counteract the encroachments with naked force, which was nearly always put down with savage reprisals. Bows and arrows, spears and billhooks, were no match for trained soldiers with guns.

In New Zealand, some claims to land were bought out with trade goods. The Maoris in question considered their own claims as disposed of, but that the claims of their descendents were not - that the next generation, would be able to enjoy the same possession as their fathers had originally had.

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Landholders as a class have usually wielded great power with little responsibility, and have been successful in swinging politics in their own favour. Throughout history they have managed with much success to escape obligations to the community and further secure claims to their holdings. Leaseholds and titles bearing encumbrances have been converted to fee simple. In place of a multiplicity of obligations, one due only is payable directly to the state. The term 'freehold' is a misnomer which probably arose in contradistinction to 'copyhold', by which land was held through at least one intermediary, such as an aristocrat or a church. Sometimes, encumbrances to titles were bought out by the incumbents and converted to fee simple, or at least obligations were reduced.

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Land titles and all they imply depend for their security upon state protection. Withdraw that protection and the titles would be worthless. If the incumbent could command enough force to hold the land, the outcome would be tantamount to the erection of a new state.

During the Dark Ages, when central government had broken down, ruthless criminals seized lands and had castles erected from which to defend their holdings. Often their claims were contested by others just as ruthless. Dwellings and trading places were erected around the castles by artisans, tradesmen and others. In this way petty or city states were founded.

Such were similar to the earlier city states which came into existence before the nation states and, in a way, the Dark Ages were a repetition of history and a time for the erection of new states. Eventually, most of the latter were abolished, merged by conquest, by marriage, or by agreement between different principals.

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Although under no obligation, when governments are changed by legal means, as in a democracy, the usual practice is to carry on land titles as they were formerly held. If held as private property and the authorities want to resume some land for public purposes, it is customary to pay the incumbent compensation for both land and improvements. This is fair enough, because individual lots are being dealt with and not the whole country. Full compensation is just and necessary, as it gives the incumbent enough money to buy titles equivalent to those he loses, and so, in theory, he is no worse off than before. Actually, a greater price than the value of his holdings should be paid to him, because he is being put to the disadvantage of finding another piece of land and shifting to it.

However, if the rent of a whole nation is collected for revenue, land title prices fall to nothing, so that the former incumbent of resumed land will not have to pay an ingoing price for his new land holdings but only the annual rent. Consequently he should receive no compensation for the land he has been dispossessed of, but only for the improvements and the inconvenience of moving.

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A successful revolutionary party may feel under no obligation to recognize claims of former landholders. The titles or covenants are between landholders and governments that no longer exist. Therefore they are not valid, unless the new government seeks to make them so.

When the Social Revolutionaries and later, the Bolsheviks, took over control in Russia, the traditional title holders received no recognition or compensation, nor did the money lenders and investors of the old regime. It was argued that the new government had made no covenant with the former landlords and investors and that, as the former government was no more, contracts with it were no longer valid. Besides, whatever capital improvements that had been effected in Russia prior to the revolution were really the result of the Russian workers toil and therefore belonged to them. The revolutionaries were right. There had been a complete break with the old society, and a new set of rules had been adopted.

The Bolsheviks were consistent in their concept of obligation. They had borrowed a sum of money from Joseph Fels, the American industrialist and supporter of dissident causes, in order to stay on and cover their fares home from the 1907 London conference of the Russian Social Democratic Party. They admitted the debt, as it was of their own willing participation with Fels, but they did not possess the money to redeem it till after the revolution (3.1).

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Where land is privately held, to disturb all the incumbents in their landholdings, would be unnecessary and unjust. All that would be needed is for them to pay the rent into the treasury. Then they would hold only as much land as they could effectively manage. Holding for speculation would be costly and futile.

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Where revolutions have taken place and the land already is nationalized, as in Russia and China, it would be ludicrous to return to the ancient custom of defacto ownership. Better to rent the land out directly from the state to private interest. This would be assuring individual rights in the product of labour, ie wages - and communal recompense in the income from land, ie rent.

But what I must impress again is that, no matter how they are propositioned by persuasive advocates, governments should never relinquish rent to private persons. If they do, the whole gamut of strife, injustice and economic waste witnessed by history will have to be traversed again, or worse, civilization will be obliterated.

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Chattel slavery and land monopoly are the worst and most ruthless forms of monopoly. As they deprive the exploited of the rights to life and liberty. But there are lesser forms which, while they are not absolute, as they do produce some goods and services, control prices to quite an extent by regulating the market. (Chattel slavery and land monopoly produce no gains in the overall sense, because the gains to the monopolists are a dead loss to the rest of the community.) But as well as being unjust, these lesser monopolies may lead to an economic imbalance which can turn to a breakdown. The most important of them are those of industry and trade.

(3.1) Fels died in 1914. I presume the money was paid into his estate.

The main forte of trade monopoly is the power to set prices, and when applied to any industry, the greater the degree of monopoly, the greater is this power. However there are limits that are fixed by such factors as substitutes, buyers' resistance, and the vying of one particular monopoly with the rest for its share of the national income, and also in any increasing volume of wealth through general capital accumulation and the march of invention.

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Protection is the most common method used by industrial monopolies. Its *modus operandi* is by producers in collusion corrupting politicians into granting protective tariffs against the import of certain types of goods. Hence local producers are enabled to increase the price of their own products to just below the landed price of similar imported goods plus the tariff thereon.

This ploy is most successful where there are few local producers of the goods in question, or where they are locked into a strong association. What it does is to hamstring the operation of a world market and narrow it down to local proportions, thus reducing or abolishing competition and allowing local producers to increase prices.

Some types of goods are relatively suited to production in some countries and other types in others; each having its own category. For instance; fishing is suited to Canada and wool production to Australia. It pays each to concentrate production on the commodities it is suited for and exchange them. Of such is the free market policy of Adam Smith.

Unfortunately, under protection, unsuitable industries become established, so increasing general prices and costs throughout the economy. Some industries that are naturally suited to an economy find that, owing to these tariff induced costs, they cannot carry on unless they too receive protection. So the protection virus spreads, raising the general cost of production, making consumer prices higher, lowering the standard of living and tending to increase inflation.

Trade monopoly usually exists in those trades (and professions) that require considerable skill, knowledge and training. Consequently incomes in these trades are almost sure to be higher than the average. But, even so, the discrepancy is often far too great. And also, with these trades, and some others where the standard of skill is not so demanding, numbers entering may be regulated by maintaining a stringent examination standard, by making sure examination papers are marked *stiffly*, by keeping apprenticeships longer than necessary, by restricting licences to practice, or by constant appeals for higher pay and better conditions. Strikes, threat of force and sabotage may also be used.

The upshot is that those engaged in these trades are able to secure pay and conditions that are, relative to the situation, too high and out of proportion to the value of the work they perform, thereby tending to reduce incomes of other people.

In a society where wealth is easily produced, such high wages and conditions, while unjust, do not upset the economy to any great extent provided they are not excessive. There should be enough material wealth to allow everyone an acceptable standard of living. And most of the gains to the protected worker will be at the expense of rent. But when, relative to the norm, such wages reach extremely high levels, they are apt to depress other wage values and cause injustice to those not enjoying high wage protection. Generally, they tend to produce inflation and create unemployment in those industries not highly protected.

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Private corporations have their origins in specific countries, but often they grow and spread, either in the form of subsidiary or of associated companies, throughout a number of economies. We refer to these collaborations as multinational companies or simply as multinationals.

When a number of multinationals collaborate to regulate prices of certain commodities, we refer to the association as an international cartel. An example being in the oil industry - ie OPEC.

Decisions are made as to prices, and national governments may be influenced by the cartel to suit its advantage. International cartels are multiples of national monopolies, and their operations correspond in the same way but in a much larger fashion.

Monopoly is legal crime, but when legality does not produce desired results, monopolists sometimes resort to illegal methods, such as bribery, damage to property, threats to and bashing of opponents, murder, financing of wars and revolutions and other extreme forms. These lie outside the pale of economics and are the business of the criminal investigator.

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The remedy for the social disease of monopoly is to abolish land monopoly, taxation and particularly, protection, so as to allow as wide and free a competition as possible. And where it is proved that crime has been used, for the state to prosecute the culprits. Beyond this, trade monopolies can only be a menace in a society, ie monopoly society, where wealth and capital are held artificially short and unjustly divided amongst the population. If wealth was plentiful and easy to produce, monopolies could not continue to exploit the public by charging extortionate prices for their products, as then, new capital would enter into competition, so reducing prices.

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In monopoly society, where wealth production is held artificially short, possession of riches alone confers a quasi-monopoly.

On the first look, because one person becomes rich does not mean that others are any worse off than they were. But because wealth is in short supply, and most of us want more, those who possess a larger quantity than average have an advantage over the rest.

Such wealth may be invested in land or in shares or merely let out at interest. But there is an advantage in that its possessor has the wherewithal to buy whenever he wishes and often at a discount and to exert pressure upon those with less wealth (ie money talks). It also gives a measure of security in an insecure world.

As a monopoly, the control of large amounts of wealth can only be effective under the special position of a society where wealth production is held short, and the product is unjustly distributed by political manipulation. This is the contemporary predicament or what we call monopoly society. If wealth were plentiful, easy to produce and spread fairly amongst the population, then exploitation arising out of its possession could no longer exist.

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Most privately controlled monopolies could not endure without state support. And the aspiration of would-be monopolists is to influence the state into granting them privileges at the expense of the rest of the community.

But there are forms of natural monopoly which consist of individual attributes and skills, such as possessed by a professional singer, or a gifted artist. Although these may be expressed by performance or skilled work and therefore have a labour aspect, they are exclusive to certain persons. There was only one Madame Melba - only one Shakespeare. Their genius was an exclusive possession.

These *particular* cases have been used by those who wish to justify monopoly in all respects. They claim that, if personal monopolies are acceptable as private property, then so are all monopolies. But, while admitting that such personal possession is monopoly, it does not affect the economy to any great extent. After all, we could live without Madame Melba's voice or Shakespeare's plays. Even though each may be a boon, most people could manage very well without them and never miss them. They are not the same as chattel slavery, or land monopoly, both of which control the basic supports of life. Nor are they destructive as the lesser monopolies such as trade monopolies, which interfere with our living standards. So we can forget all about natural monopoly of skill or genius, unless it is further supported by the state.

However, some socialists say that such skills are the property of the community. This contradicts the idea of income differences due to value of individual contributions to production of goods and services. Accordingly to this socialist theory, we should all receive equal incomes. And I think that was the ultimate aim of Marx when he used the word 'communism': ie, from each according to his ability, to each according to his needs.



In 1930, a financial earthquake shook the world economy. We refer to it as the 'Great Depression'. In most countries after ten years of boom came a sudden collapse. This followed a collapse on Wall Street in 1929 which spread to all the great capitals of the western world. Shares, which had been steadily increasing in price, suddenly fell - a fall that permeated the whole of the money market. Share sellers were legion; buyers were few. Many firms went bankrupt, men were laid off, and some speculators, left destitute, committed suicide. Not only did the stock market collapse, but land title prices fell and interest rates followed.

Towards the end of the 19th century, there had been a number of depressions; but in most western-type countries, from the beginning of the 20th century, prosperity had ensued till it seemed as if it would never end. That is why the depression came as a tremendous shock.

The strange thing about depressions is that nobody seems to be able to predict their occurrence. Perhaps there are a few, but they must be rather obscure persons of whom hardly anyone takes notice. That there will be depressions seems as sure as that the sparks fly upward. But the astute, the clever, the politicians, the economists, the business men and speculators, all seem to be wise after the event.

Orthodox economists were asked to find the cause. As advocates for the establishment, they said that wages were too high. If wages were reduced, then industry would show a profit and become viable again. This remedy, was tried, but after a reasonable time, it had produced no appreciable effect. Later economists pointed out that, when wages were reduced, so was the purchasing power of the workers, thereby leaving a surplus of goods on the market. What was gained on the swings, was lost on the roundabouts.



This unsatisfactory backdrop called for a talented performer, and into the breach stepped John Maynard Keynes. From the early twenties, he had been a fellow of King's College, Cambridge, and had written economic works on orthodox lines. But eventually, faced with facts, he came to the conclusion that conventional theories did not explain the existing state of affairs. So he cast about for a new approach. The result; in 1936 he published his most important work. *The General Theory of employment Interest and Money*.

Keynes's basic contention was that orthodox economics was unworkable in just one place - the financial system. Nevertheless, it was preferable to Marxism which, at the time, appeared to him as the only likely alternative. So he evolved a system of financial reform calculated to rectify the discrepancy.

At first, his theories did not take on, but in time, as they threatened no basic change to western economic structures, they grew in popularity until they overcame most of their classical opposition.

Professor Pigou of Cambridge defended the orthodox position, but Keynes attacked and won every point of the debate. The classical method of economics bore a resemblance to the euclidean method of geometry. It did not include enough factors. Whereas Euclid, concerned with flat surfaces, left out the dimensions of depth and time, the classicists, depending on abstract reasoning, left out money, or relegated it to a minor position. Consequently, in places, their theories did not agree with facts and so were not altogether applicable to contemporary society.



To explain this system, Keynes was faced with problems, not only of criticism and denial of classicism, but with the erection of a whole new edifice of ideas, phraseology and terms. He maintained that the commonly accepted principle, formulated in the early nineteenth century by the French economist, J.B. Say, that supply creates its own demand, was not necessarily right.

What Say had implied was that the sum-total of rents, wages and interest, being the proceeds of production, was just enough to buy back the respective products of land, labour and capital, being the factors of production. In other words, production created its own purchasing power. Inputs were equal to outputs, and the economy tended to balance. It did not matter how much was consumed and how much was saved, as savings were invested and so engendered spending. Consequently, the whole of production tended to settle when and where all resources were fully employed.

There is a tendency for savings to equal investment. Practically all savings are deposited in banks and other financial institutions. Their aim is to let out to almost the equivalent of these deposits to those they consider credit-worthy borrowers. But sometimes, according to the Keynesian explanation, the economic future looks so dismal that entrepreneurs (those who undertake business propositions) become reluctant to invest, and investment falls away. The result; reduced employment of both labour and capital. But the trouble snowballs. Savings gradually become less and this further reduces investment, which, in turn, produces even less employment of both labour and capital.

Again, potential borrowers sometimes desist from borrowing because they think the rate of interest is too high. This is particularly so when they are considering the erection of new capital concerns; ie buildings, farm settlement, ships, earthworks, and the like; or addition and alteration to existing plant and structures, such as provision of new machines, building renovations and improved layout.

After examining costs, an entrepreneur will then consider the interest payments on the outlay. If interest rates are above the expected rate of profit, it will be foolish to borrow. Even if he, *himself*, can furnish the whole or a considerable part of the required capital concerns, it will pay him better to let the money out at interest than invest in capital concerns. By so doing he can expect a greater return and without so great a risk.

Alternatively, if, during such times, the entrepreneur still decides to buy into a capital concern rather than lend his own money, he will be better advised to buy, or purchase shares in, an already existing business. With such, production is already in progress and commercial connection established. Thus, the time lag between erection of plant, purchase of circulating capital requirements and engagement of workers is by-passed and also are risks involved in possible production cost increases and falling prices during such times.

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During the past, whenever financial stagnation permeated an economy, the tendency was for everyone - government, banks and general public - to button their pockets with the idea of saving themselves from financial disaster. But this increased a general deflationary trend which could result in depression, as it did in 1930.

At the time, those who still possessed money were not disposed to invest it in industry, as returns above costs were too low, or non-existent; nor did land titles, or land mortgages, provide an outlet, because the boom had burst, and title prices were collapsing or had collapsed. For the most part, money holders were placing their money in current account or on fixed deposit where, even though the rate of interest (if any) was low, they received some return. Therefore the banks had money to invest and were searching for some relatively safe place.

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The Keynesian remedy was for the state, itself, to become a big spender - to borrow from the public, or the banks, and use the money on public works and amenities. And this would create employment.

4.1) I have followed the usual jargon here. Personally, instead of 'create', I would rather use 'remove the barrier against'.

Opposing this, orthodox economists argued that borrowing would plunge the state into debt, involving interest payments and redemption. But before borrowing, much labour and capital were unemployed and producing nothing. And also, unemployed labour was an encumbrance upon the state. Increased state debt would be a small price to pay for the abolition of unemployment.

And, I might add, revival of industry, and hence employment, in the Keynesian sense (4.2), which resulted from state spending, would produce incomes that would be subject to tax, and when the economy became stimulated, some of the new tax revenue could be used to redeem debts caused by the borrowing. Nor would the rate of tax have to be increased, because extra income engendered by the increased employment would, itself, produce a greater volume of revenue.

Impetus given to employment would not cease with the first round. The workers would spend their pay on goods and services, thereby giving further employment. And the impulse, called the employment multiplier, would go on and on, becoming feebler with each round, because some of the money would be saved. Consequently, in a depressed economy, several injections of the Keynesian remedy would be required before full employment was reached.

Of course, there is much more to Keynesism, but that is the gist and enough to serve the purpose of this treatise.

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Keynesism would have pulled the world economy out of the Depression but only temporarily. It disregarded land speculation and collapse, which lies at the root of the problem. The stage would have been set for another collapse and then another, which, owing to the increasing capacity of industry to produce, and despite retarding factors, would become closer and closer, until there was a terrific blow-up - the depression of all depressions, which would cause a permanent break-down of society. Keynesism was only a band aid.

If applied early in a depression but after prices had fallen and become stable, the method would be influential in restoring the economy or of rescuing it from disaster. But if not applied till later - after a considerable amount of savings have been dispersed by people having had to spend them to live during the financial collapse, I should say a more positive method would be necessary. And this could be by the government adding to the money supply directly or what is known as 'costless credit.' This way would avoid interest payments.

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To illustrate: A story called *The Guernsey Market Story* was once prevalent amongst underworld economists. It ran as follows: Many years ago in Guernsey, there was a period of dull trade, people were out of work, and natural resources used in building, such as stone, sand and timber, were easily obtainable.

The old market had become dilapidated, and a new one was wanted, but the municipal council did not have enough money to build it. However, someone thought up a plan. Debentures were issued. These were accepted as payment by the resources providers and workers who built a new market. As the market stall holders were invited by the Council to use these debentures for rental payment, they (the stall holders) were willing to accept them in payment for market produce.

The play succeeded. Men and resources were brought together or, in other words, employment revived.

As the Council received the debentures back for rental payment, they were cancelled. But the new market had been built, and there was no debt owing on it.

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(4.2). Employment in the Keynesian sense does not necessarily mean economic employment, which is specifically directed towards production of goods and services. It means work that may or may not be productive - a sort of social occupational therapy.

I do not know if the story is true, but the logic rings true, or I would be interested to hear where it does not. But there were some specific conditions. It was a period of dull trade and unemployment (ie deflation). Rent was used to redeem the debentures. The problem was local, and the people involved had to be agreeable to the plan, although such would be to their advantage.

But this simple story demonstrates the idea of 'costless credit'.

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Conservative banking economists advise a cash reserve of eight per cent to be held by banks in order to satisfy their customers' cash requirements and provide a slight buffer should there be a run on the banks. The rest, or more correctly, its equivalent, may be let out at interest. The deposits themselves bear a rate below the bank lending rate, the difference between the two - ie the interest the bank pays its depositors, and the interest it lends at - being most of the bank's income.

This explanation does not always hold. In past times, banks could not always find enough of those they consider creditworthy, to let out the full amount of their available loan funds to. This was the situation during the Great Depression. Again, overdraft, or short term lending, may vary widely and rapidly in amount from time to time. In Australia, this is so because of the irregularity of agrarian production, ie crops and animal products, which forms a very important part of the country's income. More industrialized countries may not be affected to the same extent. But in most places, credit is usually extended to fit in with Christmas spending or with the months when tax payment is due, and many have to lean upon bank credit. So the amount available must alter from time to time and place to place to accommodate bank customers' requirements.

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There are two forms of bank deposit. The first, called primary deposits, consists of the amounts bank customers deposit in their accounts in shape of cheques, notes and coins, or transfers from other persons' accounts through credit cards. This operation does not increase the overall supply of money, because it only transfers funds from one account to another. The second, known as derivative deposits, consists of new credit money created by commercial or trading banks and deposited as loans in borrowers' accounts to the extent of their requirements. The amount of money in an economy may be increased by this form of deposit (4.3).

Of course, borrowers have to start using the loan before it becomes effective money (my term). But they would scarcely go to the trouble of borrowing, if they did not intend spending.

After customers spend the money, it is returned to the banking system, by payees, as primary deposits.

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Money lying in bank accounts, private safes, etc, is not being used in trade. It is idle money. Only when circulating is it effective. Effective money is the product of the quantity and the circulating velocity. Usually, the quantity may be reduced, or increased, etc. par., provided the circulating velocity alters in an inverse ratio, without disturbing the immediate balance of effective money. But if the quantity is increased to the extent of causing inflation, the velocity is almost sure to increase with it. This is because people do not like holding money for long periods when its value is falling.

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(4.3). Balances which add to the total supply of money arise when loans are made or when a security like a bond, is purchased by a bank as an investment. For example, when a bank advances a loan to a business man, D. Dillard, *The Economics of J.M.Keynes*, p. 184. Crosby Lockwood Inc; Englewood Cliffs.

When a bank lends to a customer, the amount will be entered in the customer's account, and the cheques, etc, issued by the customer, will be guaranteed to that extent by the bank and may be presented to it for payment.

If there are a number of banks in an economy, each is called upon daily to settle its accounts with the others, (Although with provincial banks, it may be a day later.) Contra-accounts between banks cancel equivalent debts, but surplus amounts are usually settled at the end of that trading day.

Each modern economy has at least one central bank or bankers' bank. It is a super-commercial bank of which all member banks are customers. The latter keep accounts with the central bank, called settlement accounts, from which outstanding amounts are paid to other banks.

If necessary, settlement accounts may be kept in credit by banks selling assets, usually near liquid assets such as treasury bills, or notes, which are bought on sight by the central bank, or may be cashed on the short term money market. The returns are then deposited in settlement accounts.

To illustrate: in course of a day's trading, suppose bank A's customers have drawn drafts on their bank for \$1,000,000 and presented them to customers of bank B in payment of debt. Bank B's customers will deposit these drafts in their accounts with bank B. At the same time, but in reverse, suppose some of bank A's customers have received drafts, in debt payment, from bank B's customers for \$1,002,000 and lodged them in their deposit accounts with bank A. After trading hours, settlement will be made at a clearing house. As guarantor for its customers, each bank will owe the other money. Debts will cancel to the extent of \$1,000,000. But there will remain an outstanding amount of \$2,000 owed by bank B to bank A. Bank B will withdraw this amount from its settlement account, pay it to bank A and so satisfy the debt between these banks.

Although there is no immediate cause for worry, if the imbalance continues, bank A will gradually draw the assets away from the bank B (unless bank B is compensated by a favourable balance with other banks), because bank B will have to continue selling assets to maintain its settlement account in credit in order to satisfy its debts. (Such maintenance of credit being a necessity of banking practice.) Eventually bank B's reserves will have disappeared, and it will not be able to meet its commitments.

However, in most economies, nowadays the central bank will stand behind any customer bank that finds itself in difficulties, even to the extent of stepping in and managing the affairs of the customer bank, for a period, with the purposes of controlling the issue of credit and protecting depositors' funds (4.4).

The power of the commercial banks to create derivative deposits and, through them, increase the money supply, with the idea of obtaining bigger amounts of commercial interest return or income, may expose them to a certain amount of risk. They do not know if or when a large number of depositors will withdraw their money (ie, 'a run on the bank'). However, during a boom, risk is very slight, because people are full of confidence - that is, until the boom reaches its cusp.

During the booms of the late nineteenth century, many *mushroom* banks sprang up without sufficient asset backing or capital adequacies in relation to their loans, of which they were very liberal, and which did not have the support of a central bank. After a short run, these commercial banks, without sufficient reserves, could not meet their commitments, so failed, thus helping to usher in or to intensify depression. But in those times, little was known about the nature of banking; much more has been found out since.

Nonetheless, during booms, it has been the policy of most banks to expand money lending, while at the same time keeping their eye to the future. While some banks are conservative, others are adventurous (4.5).

(4.4) In any nation, the power of the banking system to alter the quantity of deposit money is limited by legal requirements or business customs. D. Dillard, *The Economics of J.M. Keynes*, p. 185. Prentice Hall Inc.: Englewood Cliffs.

But to repeat: During depressions, banks tended to restrict credit, or, as some would say, they could not find enough creditworthy borrowers, as the latter if any, were reluctant to borrow when the prospect of showing a return above costs was so bleak. Consequently, the condition was enhanced and the depression deepened.

According to the Keynesian method, if, or preferably before, an economy has reached such a predicament, the government should budget for a deficit (ie spend beyond its income), borrow from the public (including the banks), and enter a program of public works.

But if this, the Keynesian remedy, proves insufficient a more direct method becomes necessary. I explain it as follows:

The time of State spending and revenue-receiving usually do not coincide and, in order to bridge gaps, governments enter into short term borrowings. These are called treasury bills or notes.

Referring to the Australian statutes (I presume it is similar in other countries), the central or reserve bank is obliged to accept these bills. Consequently, a government may spend beyond its fiscal income, knowing that the central bank must honour government drafts. It is much the same as if you applied to your bank for a loan and were sure of obtaining it. It also means that governments may keep renewing these bills rather than just redeeming them.

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To satisfy government requirements, the central bank may increase money supply by creating money (4.6) as deposits in the government's account; from there it is spent by various departments. Two possible ways are through social services, or through construction contracts.

But, no matter how, the financial log jam is dispersed and, for the immediate future, the depression lifts.

(4.5) The cash reserves of four of the seven trading banks, in no month between 1948 and 1955 reached the conventional post-war English figure of 8 per cent, and that some of the banks were able, for months, to get along on cash ratios as low as 2.5 per cent and liquid asset ratios of 5 - 6 per cent, a feat which implied considerable efficiency in the use of money. W.H.Arndt, *The Australian Trading Banks*, 1st edition, Chapter 3, Cheshire: Melbourne (now Longman Cheshire; Melbourne). (This practice provided further fuel for inflation - inflation already being present.)

(4.6) When a central bank buys a bond, it pays with funds it creates for the purpose. D. Dillard. *The Economics of J.M.Keynes* p. 187. Crosby Lockwood Inc: Englewood Cliffs.

CHAPTER 5

Three economic Schools

In the past there have been several economic schools, but only three have survived; the monetary economists, the land economists and the socialists.

We have just discussed Keynesism, which, we assume, represents the monetary school - Keynesians and monetarists - who differed slightly from each other (5.1).

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Regarding land economics, apart from the time of Henry George, it has never been popular. But today there are a few who think it is the correct line and seek to advance their cause. In Australia, New Zealand, USA, Canada, Great Britain, Denmark, Holland and some other countries (see Poscript and Addresses), Henry George type land reform association still exist, and the movement holds occasional international conventions, which you have probably never heard of. If so, you will be with the majority, as these associations have little influence upon general economic opinion, and most people, even some trained economists, have never heard of them. If they have, usually the Georgists are described as tyros and crackpots.

According to what the establishment think fit, there are doctrines and institutions you are supposed to hear about and those you are not. Georgism is of the latter. Establishment propaganda is not to present the plain truth but to distort in its own favour. Consequently it ignores certain people and movements that have something worthwhile and boosts others beyond their importance; thereby helping to maintain the status quo.

Land reform propaganda is against the exploitation of humanity; therefore it must be obscured. However, the faithful - the reformers - carry on awaiting the day when their beliefs will become recognized. But so far, apart from one abortive attempt in Denmark, a few experimental communities in USA and some local government rating on the site value of land in various countries, the system has never been properly tried. But it lives, and that gives its adherents the right to be heard.

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The two prevailing systems - capitalism (really private and public monopoly) and socialism (state monopoly) - have been found inadequate and incompatible with economics and society. Consequently, the third way (land economics) has a special claim upon our interest. Hence we may hope to discover the remedies to the troubles that beset us. We shall pursue this line later.

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National socialism, democratic socialism and Marxian communism accept the idea of the organic state which, although comprised of individuals, is much bigger and stronger than the individual (ie the whole is greater than the part). Each citizen forms a minute part of the state, to which he owes his existence and his loyalty. This concept is rooted far back in history. Plato was aware of it. Later, Machiavelli used it in his literary work *The Prince*, 1513. During the time of the Roman Empire and the Dark Ages that followed, it was accepted without question. There was no necessity to formulate it.

In Germany and Russia, there has always been a tradition of the 'omnipotent state', to which ordinary individuals are expected to show their loyalty. Situated astride the eastern Europe plain, and hence on the ancient path of invading Asian hordes, the strong centralized state appeared necessary. And so the myth prevailed.

(5.1) After the Second World War, when inflation and unemployment were simultaneously causing concern, the financial reformers split into two groups - the Keynesians, who we have just discussed and the monetarists such as Milton Freedman. The latter confined their attention to the direct control of money rather than the more roundabout method proposed by Keynes. But so both objectives were the same, and their differences only as to procedure, I have considered Keynes as chief luminary of the whole monetary school, just as I have presented Marx and George as representing socialism and land economics, respectively.

But Germany and Russia were not content to accept only the guardianship of Europe, they *themselves* were expansionist and sought to extend their dominion over surrounding peoples. This was the situation in which Hegel was reared.

This environment nurtured the idea that there were certain strong, vigorous individuals or leaders to whom nature had given charge of the destiny of mankind and particularly of the crowd - the common and numerous stock of humanity. The latter were assumed to be lazy, unadventurous, without vision and requiring leaders to control and goad them to action. Otherwise they would slumber their lives away in indolence and decline into a primitive race.

The minions of the establishment, in pandering to their masters, have not been slow to advance this conception, and it fits the organic theory well.

But everyone who has lived in a frontier society, where chattel slavery does not exist and land is easily obtainable, and has observed a community in the making - where land is being cleared, farms set up, villages laid out, roads and bridges made, and other necessities provided - comes to a very different conclusion. Here, the common people are not inclined towards mental and physical laziness - in fact very much the opposite. Apart from a few sick, psychological cases, people want to build and succeed. Nearly all are engaged in some form of constructive activity without need for anyone to tell them what to do. Everyone is his own master.

Henry George was familiar with these frontier conditions and his experiences influenced his works. In this, he was different to those who patronizingly assessed the woes of the world from their ivy-mantled towers. Hegel, in his academic environment, was of the latter group. But as Aristotle once wrote: 'He who considers things in their first growth and origin, whether a state or anything else, will obtain the clearest view of them'. On these grounds, it appears that George's conception was superior and more suitable to human society than was Hegel's. It was panoramic and not limited to an existing state precinct.

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The vigour of the United States, Canada, Australia and other former frontier countries came from their pioneers. In these places land was easily accessible and the public domain extensive. Here, human vigour gave an impetus that engendered progress right through into the twentieth century. *Great* leaders were not necessary.

However, vigour is becoming perverted and stifled as these countries have become settled and the land monopolized. The more bureaucrats, politicians and criminals take over, the more progress will be hampered, with a growing percentage of people becoming superfluous to the system. As time goes on, the state of our civilization more and more resembles the decline of Rome.

We should strive for the return of those conditions upon which the greatness of peoples is built - equal access to land and utmost freedom before it turns to licence.

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The term 'socialism' is not as old as most terms used in social science. In its early days it referred to the philosophy of those dissatisfied with the condition of society, and who clamoured for change. Once there were several minor movements claiming to be socialist. With time, the word gradually became confined to certain group movements which have become resolved into three outstanding parties. They differ from each other in certain respects, or there would not be three. They call themselves Communists, National Socialists or Fascists, Social Democrats or Democratic Socialists.

No doubt the followers of any of these three schools would claim that theirs is the only true socialism. Just as diverse religious sects say theirs is the only true church. But if you do not consider yourself a socialist, you stand in an impartial position and are able to take a broad

(5.2) Socialism - a political and economic theory of social organization which advocates state ownership and control of the means of production, distribution and exchange. a policy or practice based on this theory. *The Concise Oxford Dictionary.*

view. You will find that the three socialist movements have one common binding cord - belief in increasing state control of economic, political and individual life (5.2), with their own party as controllers. They are diametrically opposed to anarchists, who do not want the state at all.

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In some ways, the term 'communism' is broader, and in others, narrower than that of socialism. In its literal sense, it means living together (ie in community) and sharing the fruits of production.

Sometimes we use the term 'primitive communism'. By this we mean the lifestyle of primitive peoples such as the Australian aborigines or the African bushmen. Communism is the most suitable form of society for them. Apart from benefits of fellowship, uncertainty of the chase means that very often game is not plentiful nor easily caught. If I spear a kangaroo today, it is best for me to share the meat around on the understanding that, if any other member of the group spears another one tomorrow, he will do likewise. That is communism in its simplest and purest form.

Most aboriginal groups do not usually remain long in one place but stay only till the game supply dwindles; nor do they have any way of preserving meat. Again it is awkward to carry. So the idea is to dispose of it by sharing, before it goes rotten. This way, there is more likely to be a continual and ample supply than if each hunter retained his own catch.

As communities become settled, some persons still desire to live a communal life. Perhaps they are quiet characters wishing to escape the hurly-burly of competitive existence. Maybe they are scholars who prefer the seminaries, so they can pursue their studies in peace. They could be religious and consider the material round of getting and spending as not worth the trouble as compared to preparing oneself for eternity. In any case, since early times, there have been those who have withdrawn from civil life into monasteries and convents to live communally and so escape mundane boredom. And there are some esoteric religious groups who settle on communal farms and, by all reports, make a success of it.

Apart from these, there have been those who have, from time to time, hived off to lead a communal existence. This is sometimes referred to as the 'alternative life style'. The kibbutzim of Israel are of such. Not only are they communal farms, but redoubts built for the safety of their members.

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Nowadays, when we speak of communism, we usually mean the Marxian brand. Marx assumed that *capitalism* was a part of the natural unfolding of human progress - a temporary phase. It held within itself the seeds of its own destruction - the workers - the contradiction of capitalism. They would rise up, struggle with the capitalists and eventually overthrow them. The Dictatorship of Proletariat, which would follow, would be a socialist type or omnipotent state system run by the workers for themselves. There would no longer be the 'employer class' as in capitalist society. Production would be for use and not for profit and commodities would no longer be bought and sold for profit.

As time progressed, the socialistic or centralized state-controlled system would wither and automatically give way to communism - each for all and all for each. Thereby the drama of society would be played out with communism as its ultimate and permanent condition.

Marx believed that revolution was the only method, and this was the difference between him and the democratic socialists. They believed the best way to achieve the same result was through constitutional means; or, as some would call it, 'socialism by stealth'.

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There are vast differences between primitive communism, Marxian communism and that of the alternative lifestyle. The first is spontaneous - it grew without conscious overall thought or effort by the individuals who were born under it. The aboriginal child came into the world and accepted communal life without question. Nor, before the invader came, did he know any other. In fact, I doubt if ever there was any thought given to the nature of society or its make up. Like Topsy it 'just grew'.

Although Marx opined that his *communism* was the inevitable outcome of social history, it was not, nor do the pragmatistic results *confirm* his opinion. His *communism* was contrived. Before coming into factual existence, it was disputed and written about in such works as *The Communist Manifesto and Das Capital: The Wisdom of Esau and New Czars for Old*. Its advocates and opponents were conscious of it as a social proposal, and they spent much time debating its advantages and disadvantages compared to the then existing forms of society. Again, it was to be imposed upon the populace. The workers parties, having seized power would set up their own state - the Dictatorship of the Proletariat - and force their will upon the rest of the people concerned, whether they desired it or not.

This procedure would be in accord with the Hegelian synthetic idea of considering the state as an actual creature - one larger, more important and superior to the individual. Under this form of communism (really socialism), individual welfare was supposed to be a flow-back from state welfare. Individual rights, as basic rights, did not exist.

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The third form of communism, which may exist under the alternative lifestyle, is also contrived or consciously entered into. It differs from Marxian communism in that it is based on the consent of the individual who willingly surrenders independence to enter the communal life and presumably may withdraw from it if he wishes. His decision is paramount and not overridden by social subjection. This is the acme of co-operation.

The Marxists may talk of co-operation, comparing it with competition to the disparagement of the latter. But the form of such communism (if we may call it that) is opposite to co-operation; it is coercion. It is forced upon the individual by the party in power. Co-operation must have an individual base, consisting of the individual's willing participation in the group.

Under true *laissez-faire*, co-operation would take shape through co-operative societies which existed for the well-being of their members. In this way, individuals would be considered severally - in groups but without loss of individuality - not collectively, where individuality is submerged in the group. The important one would be the person, not the society. The latter should always be subservient to the former.

On the other hand, Marxism is socialistic and, although Marx thought it would gradually change to communism, wherever it has settled, such has not been the case.

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German socialism or national socialism, which are terms used to describe the latterday or remnant of original Hegeliansim, is not so violently opposed to private enterprise as is Marxism. In fact, it is recognized as having a part to play in the social complex. Organizations, such as the church, the trade union, and the municipal corporation, are also recognized. However, the state is considered as leader, and whatever it decides to do, other groups and individuals are supposed to follow.

Though Hegel eugolised the state, he did not specifically indicate who were to control it -who were to be the *brain* of the state. However, in his day, the controllers were already there -the monarch - and immediately beneath him, the aristocracy and the church. In descending order, importance of people declined by occupation until the lowest class - the unskilled labourers or proletariat - was reached.

Later, Hill-Green, Bosanquet and some others, while accepting the idea of the omnipotent state, considered it should be controlled by leaders elected by popular vote. They did not accept Hegelianism absolutely, but entertained some of the machine theory, which considers the rights of individuals as paramount - ie the state exists for man; not man for the state. Actually, Hill Green and company, erected a half way house between the organic and the machine theory, a position which favoured Fabianism and social democracy.

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With Marxism, classes take the place of states, although eventually, state should become identified with class. But the struggle is there in the beginning. The individual automatically falls into his place and, whether conscious of it or not, takes part. Individuals are pushed around by fate, as if they are pieces on a chess board. There is no free will by which they act as independent beings but only as pawns of deterministic forces.

If some of the proletariat act contrary to the general trend of their class, they are reactionaries and are treated as cancer cells are in the human body. They are cut out or eliminated. It is just unfortunate they are there. They are a menace to their class, and later to the workers' state, the Dictatorship of the Proletariat.

During the early part of the twentieth century, Marxism became popular with those of an emotional, rather than a reasonable disposition. Marxism makes drama out of history - history becomes histrionics. The plot is determined by extraneous forces. To borrow from Omar Kyayyam:

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*'Tis all a Chequer-board of Nights and Days
Where Destiny with men for pieces plays:*

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In this predicament, the individual is a very small beer indeed. But by accepting Marxism, he may become conscious of the minute part he can play in history. As one of a party, he may help speed up the process.

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Agreed: the human being is a gregarious creature. Should a number of persons find themselves cut off from the rest of humanity, it would be but little time before some form of association sprang up between them.

When we use the word 'community', we merely consider groups of individuals. What we call 'society', not only signifies community, which is its basic requirement, but also includes spontaneous customs and habits which are the result of association. In modern society, there exists a contrived factor of association, which we call the 'state'. It has not always been present, and some communities have been able to carry on for several millennia without it - for example: the Australian aborigines.

There are also animal societies - horses, cattle, lions, etc - that have customs, habits and an over all form, but no state. The latter is peculiar to the human species. It appears to have entered human development after humans had given up nomadic society and settled into a sedentary agricultural existence. In the previous forms (hunter-gatherer and pastoral), apart from a few trading centres, it was non-existent and would have been superfluous. But the modern human community is divided by two diverse conceptions; first is spontaneous and usually historic; second is contrived.

Sometimes, friction springs up between those who are imbued with one or the other - the contrived or the spontaneous idea of society. Such is the struggle between the socialists and the anarchists - between those who want more state control, and those who want less.

Depicting such a case, in the ancient Greek drama *Antigone*, Sophocles (496-406 BC) causes the lady, Antigone, (as representing the spontaneous principle), to confront King Creon (as representing the state), with the following criticism of the statutes:

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*Yea, these laws were not ordained by Zeus,
And she who sits enthroned, with gods below,
Justice, enacted not these human laws,
Nor did I deem that thou, a mortal man,
Couldst't by a breath annul and override*

*The immortal unwritten laws of Heaven,
They were not born today nor yesterday;
They die not; and none knoweth whence they sprang,*

F. Storr's translation, pp 450 - 451.

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Obviously, human association has advantages. It allows for co-operation, division of labour and exchange of goods and ideas. The sum total of production of goods and services is increased, and benefits of fellowship may make life more pleasant than without it. In fact, to image the individual as totally on his own is almost impossible.

However, certain individuals, either by fate, as with a shipwrecked sailor, or by choice, as with a recluse, may spend a fair portion of their lives on their own. But it takes a strong character to be happy under such a circumstance.

There is nothing positively moral about association. In fact, it may be used for definitely immoral purposes, as with a gang of thieves or of rapists. Although numbers may represent strength, might is not necessarily right. Nor is it essentially true that, where the state exists, it is a moral force within the community. Unlike society, it is wholly contrived and may be used, and usually is, for immoral purposes. In other words, at its best, the state is not an organic structure with a moral purpose but merely a contrivance which conceivably may, or may not, exist for the benefit of humanity. Having no body to be kicked or soul to be damned, the state is artificial.

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The organic state theorists consider that, no matter whether the state is good or not, for the individual to break or to disobey its rules is a crime, and that the breaker should be punished. The *law*, they say, is there to be obeyed no matter what you think of it. But to classify a person who has broken bad statutes in an imperative obligation to correct, or protest a wrong, together with a murderer or a rapist, as a criminal, is to denigrate the character of the protestor and elevate that of the real criminal.

On the other hand, to say, as the behaviourists do, that no man is his own parent or his own school master, and to resolve a person into a mere automation because of these and similar influences, is not to describe a person but the past influences that have combined to produce him as he is at present. The individual 'is' irrespective of what precedes him. And it is with him we are concerned.

Left to their own devices, intelligent persons will regard themselves as individuals with individual hopes and fears. Their own lives, health and prospects are their immediate concerns. They feel they have individual rights and, within limits of equal freedom, consider themselves as free agents who should be custodians of their own future.

They may act spontaneously to danger and other stimuli as individuals. Run and save yourself is an individual reaction, although it may be simultaneous to a number of persons. The impulse to stop and help someone else, so endangering your own life, is contrary to pure egotism, but it is an individual decision, nonetheless.

Propounders of the organic state theory are the greatest egoists of all. They arrogantly attempt to impose their will and steal the rights of others. Their lust for power causes them to abandon justice in favour of might is right. They assume themselves to be the ruling class - the superior people, who, by nature, are best equipt to control the rest of the populace - those they consider inferior, having no rights but only privileges the elite decide to grant.

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After the divergences of Marxism and social democracy, the remnants of the Hegelian line continued on under the name of German Socialism, of which Spengler said; 'Only the German Socialism is the real Socialism'.

The junkers or great eastern landlords, with the monarch as head, considered themselves as the foremost class, the Prussians as the leaders of greater Germany, and Germany as the most advanced nation on earth (5.4).

The theory of the omnipotent state was further demonstrated in Bismark's 'Blood and Iron' policy, and the German wars against Austria, Denmark and France, during the latter half of the nineteenth century. It surfaced again in the First World War, and the other advanced nations had to band together to stop German aggression.

During the nineteen thirties, the doctrine was embraced by the German National Socialist Party with its later development of bestial persecution of minority groups such as gypsies (anarchists), and others who sought to differ from the nazi line. But its greatest and most publicised condemnation lay in the torture and murder of six million Jews.

But, in this last case, persecution, loathsome as it was, had a reason, 'God's chosen people' could hardly be expected to exist without friction, as an entity and a contradiction, in the land of the 'superman'. That is the only way the persecution is understandable.

The scurvy treatment of Germany after the First World War gave rise to the National Socialist Party with its Hegelian concepts, Hitler and his gang rose to power on the discontent of the masses. But in their attempt at world domination, they squandered that power in the Second World War.

Since then, it would appear that pure Hegelianism has died out, but it is still very much alive and ready to surface in strength. Although they may never have heard of Hegel, there are, in every country, every race, every colour, those imbued with their own importance and lust for power - the insatiable desire to dominate and control others by force or in any other way, for the aggrandizement of the exploiters and the persecution of the public.

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The advocates of the omnipotent state theory are always suspect, and the wonder is that the general public has not been more aware of it. In essence, what the organic theorists say is, 'Put your hand into the hand of Big Brother and all will be well'. Only a simpleton or a rogue would accept, or advocate, such a proposition; the simpleton because he is not worldly wise, and the rogue because he wishes to pursue the crime of fraud. Lord Acton's adage, 'Power tends to corrupt; and absolute power corrupts absolutely', is much nearer to the truth. And the facts of history support it. Wherever the organic state theory has taken root, there you will find extreme corruption, and the state that exercises most power over its citizens, is most corrupt. Decisions are placed in the hands of the party members and the bureaucrats - people who have an insatiable desire to hold or advance their own position, are imbued with the lust for power (5.5) and will stop at nothing to get their way. Justice is not respected, and the liberty of the people falls victim to the aspirations of the greedy and ambitious. The state is in a sorry way and needs replacing (5.6). But the method of replacement must be the prerogative of the persecuted.

(5.4) Extreme idealistic sovereignty is German in origin and tends to justify state absolutism which has been the traditional policy of Prussia later to become totalitarianism in its Facist, Nazi and Communist forms. R.H. Saltau, *An Introduction of Politics*, Chapter 5.

(5.5) (Lust for Power) is the expression of the inviolability of the individual self to stand alone and live, a desperate attempt to gain a secondary strength where genuine strength is lacking. Merriam.

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(5.6) A government that cannot or does not protect the humblest citizen in his right to life, liberty and the pursuit of happiness, should be reformed or overthrown without delay. Frederick Douglas, American Minister to Haiti. In a letter to the President, 20.10.1883.

Conditions will decide the type of action. Where applicable, the ballot box is the best method, but often the situation has gone far beyond its effectiveness, and revolution is the only way. But, as with marriage, revolution, the fast and dangerous method of reform, should not be entered into lightly. The tool is apt to twist in the hands of those who use it, with catastrophic results. This happened in France, Russia, China and later revolutionary countries. Dissidents should be careful that the proposed new society is better than the old. In fact they should be sure it is the most satisfactory system that can be found. In general, this will mean that government should be kept to a minimum necessary for social justice and stability.

subterfuge. They return to the reward for abstinence explanation, but alter just one word. 'Interest', they tell us, 'is the reward for *waiting*'.

In many ways, the word 'waiting' means the same as abstinence and, in the above case, it is a perfect substitute. So let us further examine George's disproof of the abstinence theory. Let us substitute the word 'waiting' for the word 'abstinence':

Waiting is not an active, but a passive quality: it is not a doing - it is simply a not doing. *Waiting* in itself produces nothing. Why, then, should any part of what is produced be claimed for it?

To reinforce the idea of 'waiting', its advocates tell us that 'time is involved'. If I lend \$100.00 at 5% p a for a year, of course time is involved - fully twelve months in fact. If I lend \$100.00 at 5% p a for two years - twice the time - I shall expect to receive twice the amount of interest (6.4). Similarly, time is involved if I engage a labourer by the hour, or rent a piece of land by the month. In fact, every human transaction involves time. After all, we do live in at least a four dimensional world. So why should they single out interest in relation to time?

A friend of mine, a grazier, obsessed by the *time* theory, explains it as follows: 'When the shearers have shorn my sheep, they want immediate payment. But the wool, which covers more than their wages, will not be sold for some time. I shall want money to pay my shearers as soon as they are finished, I am almost sure to have to borrow and pay interest, because I want the money immediately. I am willing to pay up to twenty per cent. And this is how time affects interest rates.'

We need dispute none of this. But if my friend could obtain the money for ten per cent, he would not pay twenty per cent, and if he could obtain it for zero per cent, he would not pay ten per cent. That he would be willing to pay twenty per cent does not set the rate of interest, but only the upper limit of what *he* would be willing to pay.

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To confuse the issue still further, some orthodox economists say that part of interest is due to risk, which is usually specific as to incident and time, as each loan has its own risk rate. A financier will always charge a higher commercial interest rate when lending to a wild cat scheme in Central Australia than to a blue chip industry. In this case, interest is of micro-economic and not of macro-economic concern. Beyond noting it, we shall put it aside and proceed to examine that part of commercial interest which is not specific risk.

First: there are always charges incurred by banks and other finance agents in procuring and maintaining loans. Actually, these are business costs, although, unless otherwise indicated, they are included along with risk in commercial interest. They are not part of pure interest, in the sense of something for nothing, but are a commission or service charge.

Second: nowadays, certain pressure groups use their political muscle to corrupt politicians into arranging lower than average interest rates with higher than normal advances and with easy repayments for and to the advantage of these groups. Again, governments, with Canute like intent, may lower, or raise, interest rates by decree, hoping to control the economy thereby. Consequently, we have a new variant - 'political interest' - which, as far as political economy is concerned, only adds to the confusion.

However, the concern of the macro-economist is neither commercial nor political interest but pure interest, which remains after specific risk, service charges and political interest are excluded. As we have discovered, there is no consensus of opinion as to its causes. So we shall return to the beginning and start again from there.

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(6.4) Sometimes, finance houses, advertising for money to lend, offer higher rates the longer the term. As an example; they may offer 10% p a for three months. 10½% p a for six months and 11% p a for nine months. However, these different rates are not linked to the measurement of time (or of waiting) but reflect the lenders' estimate of what future rates will be. To support this contention, if they think rates are likely to fall, they will offer lower rates for the longer term.

Unless somebody can come forward with a new reward theory, interest should not be considered as a reward. Besides, I daresay that all reward theories were invented to pander to vested interests and have fooled many well-meaning people.

But once we discard the idea of reward for capital's part in production, the whole matter of interest shows up in a clearer light. Interest is payable for funds not only confined to capital use, but also for those let out for any purpose whatever: production, direct consumption, purchase of privilege, war, gambling, crime, to name some. So that, pending upon the above paragraph, we may make a statement.

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At base, pure interest is the price paid for the use of wealth, irrespective of the purpose to which that wealth is put. It comes into account because of the overall shortage of wealth compared to the demand for it. It is a monopoly payment.

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Under the present economic set-up, production of wealth falls far short of necessity, and, to aggravate the situation, wealth is not justly divided amongst the populace. Some either do not have the wherewithal to buy for cash, or do not find such buying to their convenience, so have to borrow, or go without.

As we have discovered, in a monopoly society a large share of available income flows to the monopolist or wealthy class. The portion beyond their immediate requirements is often lent back to those who are short of it, for a consideration called interest. To this extent, interest is the result of a monopoly of wealth.

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Although the origin of interest lies in the shortage of wealth, if we regard money as the measure of value and medium of exchange, we should normally quote all values in it, including interest. In this respect, interest is expressed as the money percentage of a money sum or principal. And also, money rates, such as prime, or overdraft rates, short and long term bond rates, all of which are published daily, are excellent indicators.

With most money transactions, charges are slight, so the variations between interest rates and other forms of gain, which are a major concern of economists, are easily computed.

However, the value relationship between money and goods, at any time, is not interest but is price; nor are the alterations between money and general goods values over a period of time, interest; they are inflation, or deflation. They reflect the falling, or rising, value of money. Inflation tends to increase interest rates and deflation to reduce them.

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When discussing interest, there are two aspects of which we should be aware; first, the nature of interest; second, the rate of interest.

To the impractical theorist, the first of these may suffice, but to those concerned with applied economics, the interest rate, and what from time to time determines it, is at least of equal importance. This is because the rate (according to Keynes) plays such an important part in decisions whether or not productive enterprises are to be entered into. An entrepreneur is not likely to engage in capital expansion, unless he thinks the rate of interest will not be greater than the prospective yield.

To a sensible business operator, this decision forms the final which arises out of a number of considerations taking place in regard to a certain business at a particular time and place. Hence, it has a very important effect upon depression, inflation and employment, but not the only one. However, decisions must be taken in the aggregate and may be expressed in the following manner:

If the general economic future looks risky, investors will become apprehensive, and the amount of business investment will be reduced. But, if the future looks sound, then investment will increase. These influences will either weaken, or strengthen, demand for goods and services, which is expressed in terms of money. This is how macro-economic risk influences general interest rates.

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If rates were set by what average productive industry could afford to pay, they would fall to below that figure. But in a monopoly society sometimes this is not so. Interest, like anything else subject to the market, depends upon effective supply and demand factors. The potential borrower seeks the lowest rate commensurable with desired borrowing conditions, and the potential lender seeks the highest rate. Eventually, the actual rate settles at a mutually acceptable position, or the transaction is not proceeded with.

Supply consists of the amount of goods coming to the market. It is reduced by diseconomies such as war, strikes, state bungling, corruption, depressions, monopolies, revolutions and insurrections; by disasters, such as inclement weather, pests, disease, fire and earthquakes; all of which tend to restrict supply and so increase interest rates. Good management, both political and private, bountiful seasons, industrial peace and enterprise, etc., are all influential towards the opposite effect - a plentiful supply and low interest rates.

But demand for loans is governed not only by interest rates entrepreneurs expect to be able to pay without showing a loss, but also by what other borrowers such as land speculators can afford.

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Wants grow with civilization. The ancients did not want such things as cars, washing machines, TV sets, word processors, etc., because these had not been invented and, except in some possible but rare form of obscure dream, were beyond their comprehension. Their needs and wants were confined to simple things such as food, clothing, houses, horses, carriages, etc. But since those times, innovations have increased enormously, and whole new industries, with their supporting trades, have sprung up to satisfy these demands.

According to many economists, the capacity of industry to produce, if left unimpeded, would be greater than these growing demands. In other words, that wealth and capital would usually be plentiful.

If we achieve justice in our political institutions, the anti-economic forces will decline and the pro-forces will grow. The result: interest rates will decrease towards zero (6.5).

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In our society, where wealth production is held short, and its distribution is unjust, possession of wealth becomes an obsession, and we are apt to imagine such will always be the case. But would this be so in a situation where wealth was easily produced, remained in the possession of producers, and all barriers to economic equality had been abolished? I should say that the mere flaunting of wealth, particularly that which had been borrowed for the mere purpose of showing off, would look ridiculous.

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The immediate effect of a proclamation of social justice (ie. land and taxation reform) upon an economy that is short of goods, may be to increase interest rates, that is, till supply catches up with demand. Yet the experience of Denmark, where, in 1957-64, a program of substituting land rent for taxation was introduced, was that national debt abroad was soon reduced to one quarter, unemployment and inflation disappeared, wages increased, interest rates fell and economic harmony prevailed.

(6.5) Capital could be made so plentiful within a single generation that the return for it would cover little more than depreciation together with some margin to cover risk and the exercise of skill and judgement. J.M. Keynes, *The General Theory of Employment, Interest and Money*, p 216, Harcourt Brace Janovitch Group; Orlando, Florida.

At the general elections in 1960, however, the opposition started a *hetz* directed solely against the Justice Party, the smallest party of the Triumvirate, who were responsible for the land legislation, and used the hitherto largest sum ever financed by the conservatives and landholder associations, in any Danish election. With its limited financial resources, and, lacking support from the daily press, the Justice Party was unable to withstand the violent attack. The party lost half its votes and was unable to collect the minimum required for representation in parliament. Agitation against land tax (ie land rent for revenue) legislation continued after the election and the new, weak government gave in, in the face of strong pressure and promised that the new law would be repealed, and this was done in 1964, just before it made real impact. After this, the good effects of the land rental nationalization were nullified.

These exceptional developments in Denmark's economy in the three periods mentioned, demand the greatest attention and should be subject to intensive study by economists interested in economic policy and national economy. This practical experience should form the basis of revised evaluation of the importance and strength of a free economy and free enterprise' (6.6).

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Henry George, believing that interest was the outcome of natural increase, classified it along with wages as opposed to rent. Production was divided into rent, on one hand, and wages plus interest on the other. The more rent received, the less the other two obtained.

But in this treatise, I have disposed of interest as, basically, the result of wealth shortage in a monopoly society. In addition, wealthy monopolists receive more income than they require to live. Some of this surplus is lent back to the wealth producers - the workers - for a consideration called interest. Therefore pure interest is not justified, nor is it universally natural. It is the result of monopoly. So I have classified it with private rent as something for nothing - that is, nothing on the part of the recipient.

However, there is a difference. Rent arises because of the monopoly of land - a monopoly we cannot abolish, unless we return to primitive communism, and that would be retrogressive. So, in order to obtain social justice, we should use rent for revenue and divide it up amongst the whole population as social services or as dividends. Pure interest, however, depends upon the shortage of wealth and will disappear if and when that shortage is turned to plenty - ie when the shackles on production are thrown off.

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To sum up our analysis of pure interest, we find it depends on four factors: *First, the general shortage of wealth as compared for the need for it. Second: Because the supply of wealth flows largely to monopolists, and is lent back to the public, even to those who produce it and receive less than their just share and hence have to borrow at interest. Third: To compensate for the falling value of money during inflation. Fourth: as a substitute for private rent.*

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If rent is used for revenue, land speculation can no longer exist; and except in special circumstances, such as inflation, war, or disasters, which diminish wealth supply, pure interest will disappear. In dissolving monopoly society, it would not be necessary to dismantle the whole but only to abolish the main prop - private rent - and the rest will fall to the ground.

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Having dealt with interest, we shall examine profit, which is often confused with interest, but which is one of the most perplexing and complex economic terms. An emotive word that has often been used to confuse the argument so as to hide inconsistencies or to deliberately mislead the reader.

(6.6) Source: The journal, Progress.

So that, if I lend at interest, I experience only one gain, ie. the interest sum, unless the company goes bankrupt, when I shall receive less than my investment - perhaps even nothing. On the other hand, with shares, there are two possible gains (or losses), ie. those from dividends and those from share prices. In this respect, buying shares is similar to buying land titles in a monopoly society. In the latter case, I shall expect a return called rent. If the rent increases, the price of my land titles will also increase. Conversely, if the demand for land decreases, both the rent and the title prices will fall. Shares will react in a similar way to supply and demand.

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To advance his argument, a writer analysing a serious subject usually makes comparisons. He divides his subject matter to compare what he considers as certain diverse factors within. Where he makes his division is subject to his purpose, but when measured against facts, it may not be in the most appropriate place. Marx made his division between surplus value or gross profit, and wages - ie between all non labour returns and wages. Keynes made his between the marginal efficiency of capital or expected net profit per annum over the working life of productive plant and the rate of interest. In both cases, the division is too arbitrary and shallow. George made his mistake by putting rent on one side, with wages and interest on the other. It is possible that had he regarded interest as of monopoly, his policy would have been in force today.

As we have discovered, in contrast to pure interest, the other components of commercial interest; fees, such as bank fees, ie. charges for setting up and servicing loans, are business charges not to be confused with profits; and risk, which is usually specific, being considered in relation to each individual transaction and is therefore of micro and not of macro-economic concern.

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Although differing in how it takes place, most economists agree there is a long term tendency in laissez-faire type economies, for profits to decline. Keynes called this 'the secular decline of capital'. And here are some opinions:

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I now say, that the mere continuance of the present annual increase of capital, if no circumstance occurred to counteract the effect, would suffice in a small number of years to reduce the rate of profit to one percent.

John Stuart Mill, *Principles of Political Economy* - 'Book IV', Chap. 17.

(I presume that the one per cent would be necessary to service the loan and cover risk.)

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On such assumptions I should guess that a properly run community equipt with modern technical resources, of which the population is not increasing rapidly, ought to be able to bring down the marginal efficiency of capital in equilibrium approximately to zero within a single generation, J.M. Keynes. *The General Theory of Employment, Interest and Money* - Book 4, Chapter 7. Harcourt Brace Jovanovich Group: Orlando, Florida.

Prospective yields fall because capital assets become more abundant. The return of capital assets over their life exceed their cost only because they are scarce. Every increase in investment brings an increase in output, which competes with the output of existing capital. The greater abundance of output tends to lower prices and lower also the expected yields from further plant capacity. The process of creating more capital assets to compete with existing capital assets continues as long as the marginal efficiency exceeds the rate of interest. If the rate of interest were permitted to fall to zero, the unimpeded accumulation of real capital would lower the prospective yields to the point where there would be no return in excess of cost. Capital assets would cease to be scarce (6.8); they would yield a return just equal to their

(6.8) Not only would capital assets cease to be scarce, so would most forms of wealth assets.

cost of production; the marginal efficiency of capital would be zero. D. Dillard, *The Economics of John Maynard Keynes*. Prentice Hall Inc., Englewood Cliffs.

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In the short run, decline of net return could be caused by rising costs of production; which are the subject of diminishing returns. In the long run it is determined by an increase in the stream of wealth, due to the increasing capacity of industry to produce through improved methods and accumulation of capital from the past. Result: a proliferation of wealth and hence of capital. Both wealth and capital cease to be scarce. Their hire prices become less until, *cet. par.*, they eventually reach zero.

There may be retarding influences, such as we have previously noted, such as diseconomies; land monopoly, wars, riots, depressions, state bungling, inflation, strikes, taxation and high interest rates; and also disasters; drought, fire, flood, industrial explosions, pestilence, etc; and the wealth demands of a growing economy.

At divers time and places the combined effects of these may be greater than the capacity of industry to produce. Hence wealth may be in short supply for a while, and a hire premium will appear until supply catches up with demand. But usually, in well developed and justly appointed economies, capacity to produce will be greater than these retarding influences. Therefore returns from investment by functionless investors will decrease.

According to Keynes, in the past, this decline has been arrested by the money interest rate not falling, or not falling to the extent or as soon as the marginal efficiency of capital. Hence a period of unemployment of labour and capital resources, which we call a depression, has ensued. Consequently, in the long run there was a tendency for capital to be in short supply, so holding interest rates up.

Assuming the diseconomies, as described above, are reduced, then, due to capital competing with capital, profit prospects and, hence, interest rates will decline. Consequently, industry will be able to continue to produce, and letting out of money for (pure) interest will be gradually phased out of economic activity. But a premium for the cost of arranging loans and for risk will remain.

Keynes refers to this decline and eventual disappearance of interest rates as 'the euthenasia of the rentier'. The last word does not mean the landlord, but one who invests in certain French government securities called *les rentes*, Keynes applied it to all money lenders.

However, while monopoly society exists, this (the euthenasia of the rentier) is not likely to happen. Land titles will offer an alternative form of investment, thus preserving interest rates.

If the course advised in this treatise is followed then, of the four returns from production; rent, wages, interest and profits, which, according to the classicists, completes the whole, only two (rent and wages) will be left. That is, apart from a few possible and limited periods, when a shortage of wealth creates an unsatisfied demand for it.

In the chapter of Keynes (Chapter 4), we made a cursory examination of economic depression. This was necessary because the whole purpose of Keynesian economics was to find the cause of and remedy for depression. He wrote during the Great Depression, and it was the most important and immediate problem of his day.

He considered monopoly society, misnamed *capitalism*, was far from perfect but thought it better than the alternative offering at the time - namely Marxian socialism.

If the problem of depression could be solved, monopoly society would be able to struggle along, with a gradual and long term improvement of conditions of the socially disadvantaged.

Therefore he was not primarily interested in deeper issues that affect society. In other words, to discuss Keynesism is to discuss depressions.

In contrast, Marx and George were more concerned with the residual poverty, which persisted in their day. Depressions only served to accentuate the problem and demonstrate the over-ripe condition of the economy.

Beside those of Marx, George and Keynes, there are some simple, old depression theories that still survive, such as that of the classicists - ie wages are too high; or that of the Malthusians - ie there are just too many people in the world to provide a living for all, the surplus being unemployed.

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So far, we have not discussed Keynes's unemployment theories beyond stating that he considered that, at times, interest rates were too high to allow a considerable portion of industry to carry on showing a margin above costs. This created a general downturn in business activity - a recession that could turn to a depression. His remedy was for the state to borrow money and enter into public works and so provide employment. But the reason why interest rates had been too high and for some time stayed too high was not completely answered by Keynes.

However, no matter what interest rates are, provided profit prospects or marginal efficiency of capital is greater, industry will be able to carry on. For example; if interest is at ten per cent and the marginal efficiency of capital or general profit expectations are gauged at fifteen per cent, business will continue. But if the interest rate is at fifteen per cent and general profit expectations gauged at only ten per cent, production, and particularly new production, will be thought of as not worthwhile. In fact, unless considering a strong monopoly where returns above costs are abnormally high, investment under such conditions would be disastrous.

When we speak of the general prospects of industry - bright, or bleak, according to the time - we introduce a macro-economic concept. This is in contradistinction to the prospects of a single firm, which may be bright, or bleak, irrespective of the general trend and are therefore of micro-economic concern.

To repeat; in the Keynesian discussion, we are basically concerned with two factors - the rate of interest and the estimated rate of future profit.

The argument is that, assuming business is booming, there will be a brisk demand for money to accommodate the boom, thus creating rising interest rates. Observing this tendency and mentally projecting it into the future, money holders, awaiting a better opportunity, may still defer lending, so forcing interest rates yet higher. If they obtain only ten per cent by investing for a period, now, and before maturity date, rates rise to fifteen per cent, not only will they forgo the extra five per cent, but also the sale value of their holdings will fall. For those intending to purchase when the new loans are returning fifteen per cent, will not buy the old ten per cent contracts, except at such a discount that will return them at least fifteen per cent.

Hence, as a boom progresses, there is a tendency to produce what might be called 'speculative interest'. In order to influence money holders to part with liquidity on a rising market, borrowers have to offer increasingly higher rates, and these reduced profit expectations. And also, the longer the term, the higher the rates will usually be, because the

further redemption is pushed into the future, the more will present uncertainty grow. Eventually, when economic activity begins to recede, interest rates are still on the up-swing, and later, the lender may want a high rate of commercial interest to compensate for the risk of lending to projects whose future is so uncertain. Hence, Keynes said interest rates are 'sticky' - ie they tend to vary less and lag behind the general economic trend.

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According to the law of diminishing returns, there are certain cost factors, that increase as production increases. These cost factors come into operation in opposition to economics of scale production. As an enterprise grows, at first there is a cheapening of costs due to mass production. But as size goes on increasing, certain anti-factors begin to reduce the benefits of economics of scale.

To illustrate: A certain dairy farmer decided to increase milk production. To carry more cows, he would have to grow more grass. So he spread more fertiliser on his land; the fertiliser cost being debited against the value of the milk it induced. By increasing application one hundredweight an acre, he doubled production. So he put another hundredweight, but found it increased production only another fifty per cent. Another hundredweight produced twenty five per cent more. He increased the amount of fertiliser until there was no further production increase. After this, fertiliser would have been applied at a loss.

Of course, other methods of increasing production could have been pursued, but the same type of analysis would apply to them. So there was an optimal economic production for the farm at this particular time.

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In a larger field of economic enterprise, the city is considered the venue of efficient production. Here, diverse industries operate in proximity. Here, the division of labour is pursued with the greatest advantage. Here, economics of scale production is most possible. But, as a city grows, so do diminishing returns. The greater size means increased costs in the transport of materials from one side to another. Traffic snarls mean time lost waiting and wasting fuel, which pollutes the air. General air pollution increases, instead of being readily dispersed, as with a small city or town, much of it turns inward upon the city centre, so creating industrial smog. Necessities, such as water, electricity, gas, have to be brought from sources farther out and sewage dispatched to a greater distance. These and many other impediments mean a great number of regulations are required to allow the city to operate at all. But regulations create a tangle of red tape which further complicates the situation.

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Apart from diminishing returns, there is also a tendency to saturate markets. But it should only apply to a given time. Distant future markets will be governed by supply and demand factors which cannot be gauged at present and are related to the secular decline of capital, as has been explained in Chapter 6. Today there is a market for only so much bread, beer or any other commodity or service. When the effective demand is covered, any surplus is likely to be sold at a loss if sold at all.

This market saturation factor is a complement to the cost increase factor in determining the volume of production and immediate future employment of labour - meaning labour in the Keynesian sense.

To sum up: profit in the private or business sense consists of prices less costs. The above two factors, diminishing returns and market saturation, increase costs and decrease prices, so tending to make profits decline and also rendering future prospects for profit or marginal efficiency of capital unattractive. The result: business does not expand, men and resources are held idle, and a depression ensues.

With restrictions of investment and consequent reduced activity in capital expansion, another factor that aggravates the predicament still further comes into operation. Hitherto, as we have discovered, much extra employment (in the Keynesian sense) is engendered by the employment multiplier which results from new investment (see Chapter 4). Now, the multiplier effect is reversed and many more men are thrown out of work, thereby snowballing the effects of the original restrictions.

It was assumed by the classicists that depressions tended to stabilize when wage rates returned to normal and better prospects existed for investment of savings. But, I might add, by this time, a considerable portion of former savings had disappeared through individuals and firms having had to spend them to survive during the slump.

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Gradually the depression fades away. Goods that hitherto cluttered up the market and, because of insufficient demand, could not be sold immediately, have been gradually sold, rotted away, destroyed in war, or become obsolete; the reduced amount of trade fits comfortably into the volume of money; the ratio of consumption to production has become equalized and, as the economic condition has stabilized, the interest rate has fallen and future prospects for business look steady. Once again it appears favourable for entrepreneurs to borrow and lenders to lend. And so the whole process starts over again.

But there is a catch in it. Owing to factors that, according to the Keynesians, cause booms and depressions, such as high and increasing interest rates, diminishing returns and saturation of markets, the boom may flatten out before full employment is reached. Consequently, even in times of comparative prosperity, some unemployment may remain.

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Keynes's was discussing depressions of the past, such as the Great Depression, and considering monopoly society as given, he did a fair job. He brought money back as a prime factor in economic discussion and, despite inflation, his system demonstrated a broader concept of economics and has been an improvement on that of the classicists and the Marxians. Where he failed was that he did not allow for sufficient factors in his analysis; something he accused the classicists of. He did not include land monopoly, or land speculation and its effects. Consequently, in the long term, his system failed. However, we shall leave him and return later.

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Considering Marx, his thesis may be regarded from two angles, first and predominately, as social history and prophecy; second, as economic theory. To him, depression and collapse are evidence of the breakdown of capitalist society, which is an historical phase through which it is necessary for humanity to pass.

In his economic appraisal he contends that the value of any commodity is its average social labour cost (7.1). This is called 'the labour theory of value'.

In order to survive, capitalists or entrepreneurs have to sell the product above its labour cost or, to them, wages cost. The difference between labour cost and price received is called 'surplus value', which may be loosely described as gross profit. It represents all non-labour returns from industry and has a strong resemblance to Keynes's marginal efficiency of capital.

Marx does not analyse surplus value beyond mentioning he is aware it has components. He states: 'The capitalist who produces surplus value - ie. who extracts unpaid labour from the labourers and fixes it in commodities is indeed, the first appropriator, but by no means the ultimate owner of this surplus value. He has to share it with capitalists, with landowners and those who fulfil other functions in the complex of production.'

(7.1) Marx considered that goods were socially produced. He did not allow for the individual's contribution to production.

The difference between *capitalism* and more primitive societies is that, with the latter, production is for use, either as consumption goods or as simple forms of capital - bows, arrows, spears, etc. Consequently there is no accumulating surplus. (I might add: Except in the case of pastoral societies where the surplus consisted of livestock.) But in capitalist society, the capitalists, the most powerful class, are able to direct the stream of production toward their own selfish ends and order production for profit and not for use.

Of course, some consumption is necessary to sustain workers, capitalists and others who complete the social complex. But there is a surplus that from time to time grows so large as to create an apparent overproduction and render further production uneconomic. The result: a breakdown which we call a depression. In other words, the economy chokes on its own surplus value, with the dire effects we have already noted. Eventually the market clears of surplus goods, business confidence is restored, prices again become profitable, production accelerates, and the whole progression repeats itself.

In a hazy way, Marx's explanation works out. No doubt that, with production, there is usually a surplus above wages, and some of it goes to parasites. However, Marx did not analyse the division of this surplus amongst the parasites, but lumped their shares as anti-labour.

His remedy was to nationalize the whole means of production distribution and exchange, so obliterating the capitalists and landholders altogether in one bold stroke and diverting their ill-gotten gains to the workers state. But what he did not realize was that, in so doing, a new establishment would be created - the powerful party members and bureaucrats. Exploiters that would be at least as vicious as those they displaced.

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Referring to George: all social conditions and their development depend on the way land is held, as it is absolutely necessary to life and is limited in quantity and quality. Depressions arise out of land speculation and collapse.

In a progressive community, in which land is privately held without or with only slight obligations, land title prices, which reflect progress, rise. This steady increase naturally leads to speculation in which future increase is anticipated, and land values are carried beyond the point at which, under the existing conditions of production, their returns would be if left to labour and capital' (7.2).

In short, speculative rent adds to the normal rent portion of the national product. This means the other factors of production (labour and capital) must receive less. In time, it becomes not worthwhile for some labour and capital to engage in production. From then on, stagnation spreads throughout industry and grows until considerable portions of labour and capital lie idle and a depression is rife. Now, rent (both annual rent and capitalized rent or land title price) begins to fall until it comes to rest within its intrinsic value. After a period in the doldrums, the process of boom, collapse and depression starts over again.

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But let us refer back to Keynes, repeating his idea that high interest rates are the cause of depressions. There are other impediments that could retard industrial activity to the extent of collapse, such as a steep rise in taxation, war or disaster, land speculation, government restriction of money flow or direct interference with production. Nevertheless, the interest rate is the last one of the main factors that influence the decision to produce, or not, and if it is too high for a substantial section of industry to expect a return above cost, stagnation will set in, in that section, and from there tend to spread throughout the economy.

However, if the industry is a monopoly, there is some control over the price of its products, and it is likely to show a return above costs and be able to operate for some time despite high interest rates. But this fact, ie the power to charge high prices and hence show a high return, makes it harder yet for competitive industry to carry on, because the finished product of one

(7.2) Henry George, *Progress and Poverty*, p 264, Robert Shalkenbach Foundation : New York, 1971.

industry usually is the primary material of some other and so on until the product finally reaches the consumer. Again, some individual firms are better managed than others, or are having a run of good luck. These may show a considerable margin above costs and so are able to accommodate high interest rates.

On the other hand, even in boom times, some industries and firms just manage to break even. We refer to them as "marginal". As interest rates rise, they are the first to fail.

Under monopoly society, competitive industries are usually marginal industries. They just pay. An increase of only one per cent in interest rates could mean the difference between surviving and going insolvent. But interest is only one of a complex of micro-economic costs. Taxation, and other costs off-loaded in price by strong monopolies, particularly when all such costs are high and rising, also have their effects. Rather, it is the increase in total costs, on one hand, and their inability in the short run to raise the prices of their own products in order to cover these costs, on the other, that force the competitive industries into difficulties.

As the boom ripens and costs increase further, more and more firms become marginal until only the very strong monopolies are able to show a return above costs. Eventually, even they become marginal, and the only effect of increasing the effective money supply is to boost land prices and interest rates. After this stage is reached, the economy is likely to collapse or to give over to revolutionary or to authoritarian pressures.

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When George wrote, the influence of land monopoly was so evident that most people did not doubt its importance. They called it 'land boom'. Today, many people speak of the land booms of the late nineteenth century, as if they were confined to that period. During his time George was pretty close to the truth in his assessment of depressions. However he referred to land value and not to land price. As we know, this obsession with value, used to greatly influence debate through abstract reasoning (ie money was left out) and, allowing for this impediment, his was a good analysis. Again, in the young resource-rich state of California, the vision as the cause of depressions was much clearer than in older settled regions.

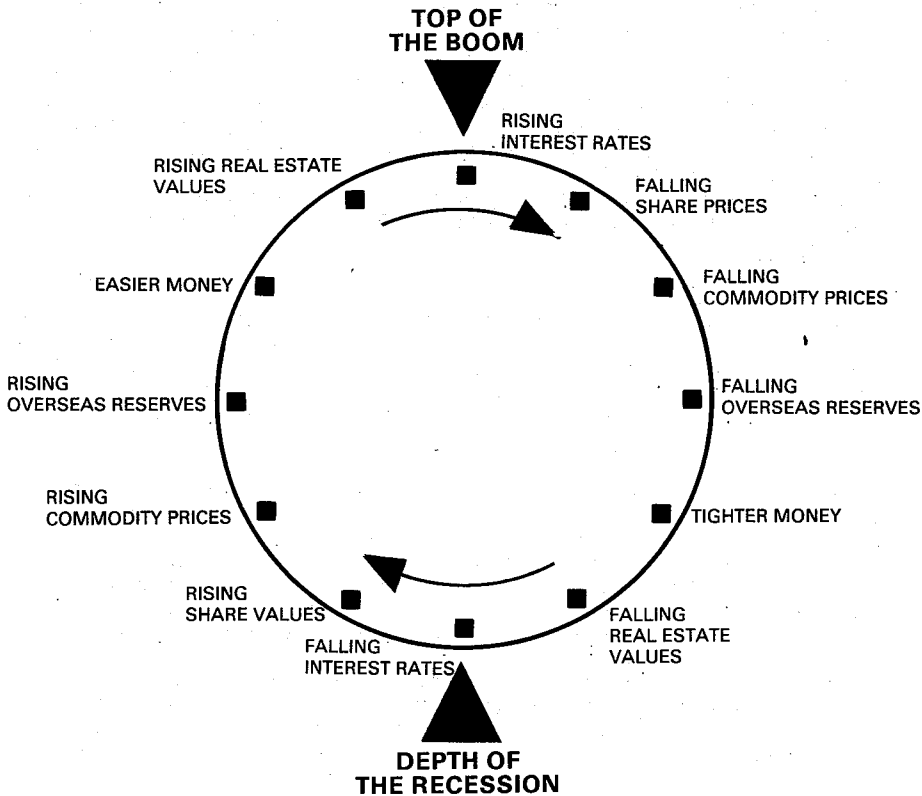
Since then, the debate, shifting towards money, as if it were the most important economic subject, has meant that enquiry has been transferred to the loans and shares markets. No longer do we refer to depressions as the result of land monopoly but to collapse in share prices. In fact the latter's boom and following collapse have nearly always preceded those of land title prices.

I think that share prices are always mentioned because there is a daily publication of share movements, such as the all ordinaries index. Therefore, in this case, people are aware of what is happening. As least as important though more obscured are the business failures in private and one person owned business enterprises not listed on the stock exchange. There are recordings, but they are not frequent and only published intermittently. One has to search to find them. Again, many small firms and individuals go quietly out of business because they are unable to carry on or can see no worthwhile prospects.

Some businesses hold title to their premises. Partly, their returns are from real estate, ie rent or implicit rent. In these cases, comparison between land title prices and business share prices are not between things absolutely of a different nature, so the contrast is not clear cut.

Our analysis is not complete unless we examine land speculation and its effects upon share prices and the rest of the economy, even though, in the late twenties, when the pre-Great Depression boom had ripened up, land speculation was more obscured than in former times.

THE BUSINESS CYCLE



NOTE: Share prices first to fall in downturn, first to recover in upturn. Real Estate last to fall, last to recover. Compiled by the Evening Standard, London from a study of trade cycles over a period of 150 years.

The above diagram comes very close to the facts. However, the compiler was considering business cycles of the past. Since then, with a more liberal monetary policy, it is doubtful if prices would fall in the early stages of a depression. It would all depend on the way the government reacted. If it increased effective money quantities, or imposed heavy taxation during the downturn in business activity, prices could rise to the extent of inflation. Again, although interest rates would rise in the early stages of a boom, the steepest rise would be after land speculation was well on its way. So the interest rate would peak after the peak in real estate prices.

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There are two main types of depression - agricultural and industrial. In primitive or in agricultural economies, bad seasons may be the cause not only of economic downturn and unemployment but also of famine and death. Even in Australia, which depends to a great extent on agricultural and pastoral production, a poor wheat, or wool harvest, noticeably affects the financial conditions of the economy. But with more industrialized nations, whose income depends mainly upon secondary products, and who buy a large portion of their needed primary products abroad, the effect is less acute. As crop failures are not usually world wide, buyers have a choice of markets.

But the reasons for industrial depressions are much more complicated. Only by deep enquiry may we discover the causes and the cure. And that will be our main purpose within this chapter.

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As already discussed, there are certain impediments upon production, such as natural disaster, war, taxation, land speculation, and state interference with production and money flow, that could retard industrial activity to the extent of economic collapse. And these impediments are usually present and influential towards this end. But the final reason for the Great Depression, and the one we are entering now, 1991, may be described as follows:

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1. Today, government financial policies are more liberal than in times past, and capital and land markets are well organized. An investor may purchase contracts in either and, if he wishes, shift his holdings from one to the other through the money medium. If he can purchase land titles and receive a return called rent, he is not likely to employ his funds in any other way, unless he expects to receive what he considers to be at least as satisfactory a return, even though it may not be an equal return. He may be willing to accept a lower return for money at interest than for land titles at rent, because fragmentary sums may be invested and there is less trouble to release them.

According to our findings, the basic cause of interest lies in the shortage of wealth. This is verified by the fact that most residual wealth is held by monopolists, who let out a considerable portion at interest. The rate of interest is further influenced by the general rate of inflation (or deflation), rising (or falling) subsequent to it, and by rent and land speculation.

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During the early stages of a boom, there is a shortage and demand of both consumption and capital goods, which together we shall call wealth assets. There is also a demand for land, and this produces increasing rent and land title prices. But the demand for wealth assets, is the more urgent and takes precedence over other forms of investment. A greater return is obtained by investing in wealth assets than lending at interest. As there are two possible forms of gain - one from profits or dividends - the other from increase in wealth asset prices, they create a brisk demand for money to buy them and hence an upward pressure on interest rates, causing them also to rise.

But, as the market for wealth assets becomes satisfied, their returns above costs decline and the advantage in their investment over letting out money at interest tends to disappear. However, this trend may be counteracted for some time by inflation and clever advertising, which reduces the purchasing power of money, restores the demand for and sale of wealth assets and increases their prices till speculation sets in.

These prices, which are usually and most easily traced in share values, eventually rise to ridiculous levels and are far too high compared to their returns, such as dividends rates, most of which, by now, have fallen below interest rates.

Investors and money lenders become suspicious and withdraw their support from wealth investments, and the prices of such suddenly collapse, as they did in 1930 and in October 1987 and, without that support, interest rates tend to fall.

But interest rates depend not only on what productive business can afford but also on what others are able and willing to pay.

The reduction in wealth asset values, such as share prices, does not immediately depress the price of land titles; which are tangible assets and not just tokens of business enterprise that may suddenly go insolvent and disappear. So that, even if land title prices fall, which is not likely except at the early stages of depression, the land is still there, and title prices are likely to eventually rise again.

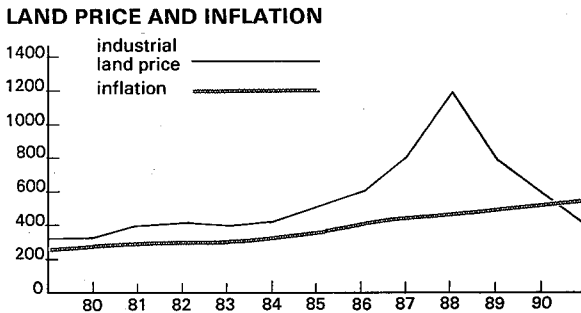
Besides, shares, which are an indicator representing all wealth assets, are close to liquid assets, and the share market is very volatile. It is the haunt of gamblers who buy shares with the hope of selling them in a short time and at a profit. The result; share prices may fluctuate widely and rapidly.

Land titles have a much more stable or illiquid market and, although there are speculators, the rate of sales turnover is much slower than with shares. There are a lot more impediments upon transfer of land titles. It usually takes some time to find a purchaser. Then there are legal costs, such as drawing up of documents of sale and of title search. Very often procurement of funds, especially when titles are being purchased on credit, which requires further legal work and expense, take time, and hence retard transfers. Again, unlike wealth assets, supply may not be varied to suit demand, because in modern society the supply of land is limited.

But land titles appear to be the best investment with security and gain. And this is a considerable inducement for investment during a risky period. And also, former brisk business activity has already increased demand for land, meaning land which is suitable for production or for residence.

Investment funds, formerly attracted to wealth assets, now flow towards real estate, which they did in late 1987 and in 1988, causing their prices to rise faster than every other item of economic importance (8.1). And the higher they rise, the more money will be required to buy them.

(8.1) LAND TITLE PRICES AND INFLATION.



SOURCE: From graph, Gray and Johnston; Melbourne.

Consequently, as a boom ripens, there suddenly occurs the condition we refer to as 'land speculation' or 'land boom'. On the co-ordinate graph it presents a steeply rising curve. Speculation rather than investment becomes the dominant reason for the purchase of land titles. Money lenders ask for and manage to receive high and rising interest rates, because title prices are booming, and buyers are willing and able to pay higher interest rates than most industry can afford.

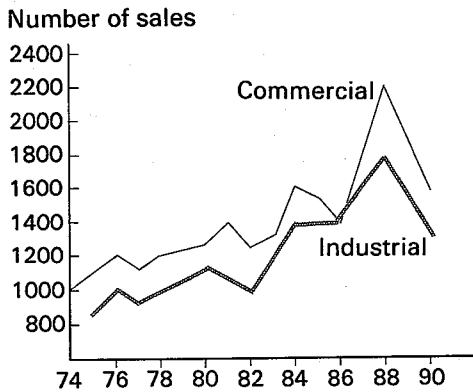
In addition, by this time, returns above cost for industry are declining as the supply of wealth assets increases in relation to demand. But instead of interest rates falling to accommodate the decline, land speculation and borrowing therefor, holds them up, or retards the fall. It matters not what the rate of pure interest actually is, a large section of industry cannot afford it and so begins to falter.

Influences of effective money do not now have the same stimulating effect upon industry as at the beginning and middle stages of the boom, as a lot of new money becomes absorbed by rising land title prices. Fortunes are made by real estate dealers and landholders who, at the expense of the workers, are becoming wealthier. They command a power to buy, which they have not earned by providing goods or services to the market. As their wealth increases, private industry, apart from industrial monopoly, languishes. Inflation and unemployment exist at the same time.

It is not even necessary for extensive land sales to take place; although they probably will (8.2). But some landholders are reluctant to part with assets that appear to offer the best security combined with increase. So land title prices are again driven higher. To the transactor, speculation in land titles offers an alternative and more remunerative way of increase than lending at interest. The resultant demand on the loans market increases general interest rates and hence the bargaining power of money lenders.

(8.2) MELBOURNE PROPERTY SALES

MELBOURNE PROPERTY SALES



SOURCE: Baillieu Knight Frank Research; Melbourne.

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By now, owing to speculative demand, the purchase price of land titles rises at a faster rate than the annual rent would warrant. Therefore the ratio between the two, which we shall call the rent rate, falls and temporarily becomes less than the interest rate, which does not move simultaneously with the rent rate but follows it. Both money lenders and would-be purchasers of land titles become cautious. And so the land boom reaches its cusp.

If, in the progress of a depression, an economy is left to drift until the prices of goods, services, rent and real estate, and also rate of interest, fall and become stable, and dull trade and unemployment are rife, effective money may be introduced through deficit budgeting before the depression has run its full course. In most cases (8.3), this will immediately stimulate industry. Money may be issued through public works contracts, such as roads, reservoirs and harbour facilities, or through pensions and other social services.

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Had there been no land speculation, with its effect of increasing interest rates above capacity of much industry to pay, interest rates would be governed by general profit rates and would not rise above them. Hence industry would be able to carry on without collapse and depression. But, with land speculation, by the time it collapses, depression is well on the way. Therefore, to stop depressions is to take rent for revenue and thereby destroy land speculation.

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2. So far, we have been discussing how a depression may develop within an economy and how to cure it. Were all economies in a similar condition of decline and simultaneously accepted the cure, the remedy would universally apply. But such a coincidence is not likely and, although all western type economies are eventually subject to decline, some are further advanced in this direction than others.

So, for comparison, let us divide all economies into two groups. The first, which we shall label A, includes countries that are subject to disaster, but apart from such, they are those who have squandered their incomes foolishly and extensively, and lived beyond their means to the extent of incurring enormous debts, the servicing of which absorbs a considerable amount, the whole, or more than national incomes. Wild speculation, high interest rates, business failure and unemployment also depress these economies and the mental state of their people.

The second group, which we shall label B, consists of those nations that have been more industrious, have come closer to balancing their budgets, have invested wisely, and have put aside something for contingent reserves.

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With international trade, B economies will be more efficient producers than A economies. Excluding particular commodities that are suited for production in certain countries, such as wool is in Australia. B economies will be able to produce and sell most goods and services at a cheaper price than A economies, Hence with B, because supply is more in line with demand, interest rates and inflation will be lower than with A. But for some time A's condition may be masked by borrowing until interest and redemption absorb a considerable amount, the whole, or more than the national income, and the people become poorer and have to reduce imports because they have not enough money to pay for as much as they formerly did. And this in turn reduces B's exports.

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(8.3) Even if interest rates fell to zero, some industries still would not pay. This could be due to high costs relating to obsolescence, inefficiency or, more likely, state interference such as rapacious taxation and protection of some industries at the expense of others.

We cannot do much about obsolescence and inefficiency; responsibility rests with the industries and firms concerned. But state interference can be abolished and also so can taxation. Replace taxation with ground rent, and cost of production would fall considerably and render these industries much more viable. But, if this does not succeed, then they are not suitable for the economies involved and under free competition would disappear.

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Trade is at least a two way street and, as trade between one another, upon which much of the prosperity of nations depends, declines, both groups (A and B) will be adversely affected. This is how recession in one or a group of countries may spread to others, so creating world wide depression. But if A represents only one, or a small group of small trading nations, while B's trading is relatively considerable, then the impact caused by A's decline may not be sufficient to restrain the prosperity of B to any extent. It is when A represents a large economy, or a considerable group of economies, that B's trade decline becomes apparent. As has been said, When America sneezes, the rest of the world catches cold.

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Since the end of the Second World War, there has been a change in overall monetary policy. In the past, financial institutions buttoned their pockets when a depression appeared imminent, so helping to bring it on, or to increase the trend; nowadays there is a more liberal approach to the provision of money. In addition to its traditional uses, governments regard it as an instrument which may be used to control the economy. In regard to this, Keynes advised that, under full employment, creation of new effective money should be confined to just enough to keep the economy at that level, otherwise the round of inflation, boom and depression would set in again.

But Keynes's advice, and the ancient convention that governments should act frugally, proved too much for the politician. During and after the Second World War, when goods were in short supply and prices high, many governments entered a 'binge' of spending, with dire, inflationary results. A hectic boom with high and rising prices and wages accompanied the inflation.

Unemployment was only slight, and Keynesian economists thought the cause of economic depressions had been discovered and removed. Certainly there was inflation. But what was a bit of inflation compared with the benefits? Orthodox enthusiasts, now the Keynesians, referred to the system as 'The Keynesian Revolution'. And until Keynes admonished them, many of the younger Keynesian economists ridiculed the classicists.

Then, in conjunction with inflation, unemployment began to increase. This was probably because most new effective money was being absorbed by monopolies, such as land, tariff and trade union monopolies, and also by wasteful government expenditure. With the good times, these had been increasing and were now on the rampage. The Keynesian remedy was really only a band aid. Deep seated economic troubles still remained.

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Keynes was concerned with pre-Second World War depressions - particularly the Great Depression - a deflationary period involving unemployment, collapse in land title prices and lowering of interest rates.

The depression that is developing today (1991) is of an inflationary situation, and the same remedy does not apply. In Keynes's time, introduction of new effective money would have arrested deflation and temporarily abolished unemployment, but today, the same *remedy* would only speed up inflation, increase national debt, produce higher interest rates, and a host of related troubles.

Faced with this dilemma, many economists advise a similar procedure to that of the classical economists - restriction, rather than expansion of public spending. While this will tend to arrest inflation, it will create more unemployment. The wheel has turned half circle, and, for the present, the Keynesian remedy cannot provide a cure for unemployment. We shall have to wait until the depression develops, many more businesses go bankrupt, unemployment is worse and land title prices and interest rates fall further, and the economy becomes stable, before it can become beneficially effective.

Even then, the enormous debt entered into by most governments will mean a large amount of state income will be needed to pay the interest and redemption bill, so retarding recovery.

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The only way to permanently dispose of the boom, collapse, depression syndrome, is to use ground rent for public purposes and abolish taxation. Then land titles would no longer have a selling price and consequently could not support interest rates, which would decline to a figure that efficient productive industry could afford. With abolition of taxation, another cause of high costs and business failure would disappear. Result: industry would be able to continue on satisfactorily, and depressions would be no more.

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Some cases of idleness or voluntary unemployment are common to most economies; ie workers on strike, or taking an unofficial holiday. There is also incidental unemployment; those who are sick, between jobs or laid off because their firm has gone out business. These incidental cases, although regrettable, are inevitable. However, they and the voluntary category must be excluded in our definition of full employment.

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Unfortunately, in contemporary society, we have come to regard unemployment as an insoluble problem. We consider the economy capable of providing only so much work, which requires some capital expenditure, state, or private.

Thus we speak of 'employers' - those who, by their presence and activities, provide employment. We are apt to regard these persons; landholders, capital monopolists, bureaucrats, politicians, as of benefit to the economy. Believing they provide jobs, we call them employers.

They appear as providers, because natural resources, upon which it is necessary for labour to operate, are monopolized. Under these circumstances, monopolists hold the key to employment; but it is rather as obstructionists - as dogs in the manger - than as creators of employment. Hence, they or their henchmen engage only enough labour to suit their requirements and, with the displacement of labour by machines, labour use tends to become less and machine use to become more.

This tendency is offset somewhat by continual introduction of new machines and processes, thus creating new products which should make life more pleasant and opening up avenues previously undreamed of. In the short run, it allows employment for new labour and capital. But the benefits go ultimately to the holders of natural resources, possessors of certain skills in demand, or those industries which are heavily protected. Others miss out, particularly the menial workers and the unemployed. They are redundant to monopoly society and, of all people, their mission should be to change it.

But with regard to employment; if the shackles of monopoly are cast off, and rent becomes national revenue, the opposite view of employment is made clear. Employment is a process the worker creates with his brains and hands while attempting to satisfy his material wants. No individual can give employment to another, nor can any government. One can only employ oneself. All that powerful individuals and the governments that support them do is expropriate the right of individuals to engage in production.

This is how monopoly controls the lives of the vast majority; thereby raising monopolists to the socially dominant group. That is why we refer to the social set-up as 'monopoly society'. Within its confines, we are taught the prevailing but erroneous theories of employment and unemployment.

When I was a young man, and that was before Keynes had published his *General Theory of Employment, Interest and Money*, the Great Depression was raging and many people were suffering. With the idea of searching for the cause, I became interested in economics.

I found preoccupation in what were then considered as heterodox monetary theories advocated by amateur, unorthodox economists. Consisting in the main of state control of money, these ideas were considered by the establishment as inflationary.

I began expounding monetary theory to the exclusion of all else. But one day an old fellow, who had formed his opinions in an earlier age, pulled me up by saying, 'If I owned all the land, Son, and you owned all the money, You'd be willing to exchange all your money for a place to live.'

Another time, while rummaging amongst some ancient tomes and radical magazines, I came across the following limerick:

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*Once a college economist planned
To live without access to land
And would have succeeded
But found that he needed
Food, shelter and somewhere to stand.*

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Together with other evidence, the forthright and utter logic of these statements, shocked me out of my nonetary delusions and started me rethinking my economics. I became convinced that land, and the way it is held, is always the most important question of economics. Land is the basic necessity for life itself.

Since those days, I have spent much of my spare time researching and examining what the leading economists and social reformers have had to say, going through their theories carefully, and sifting out the true from the false.

While investigating, I became more and more convinced that Henry George was on the right path. Most of the others had started from the wrong basis. Therefore their conclusions were not likely to be correct. So let us examine the Georgian proposals in greater detail; deleting, developing and digressing where necessary.

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To restate: *The basic and most important economic factor is land. Land must be there before humanity and hence economics can exist.*

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In rudimentary hunting-gatherer and pastoral societies, land was held in common within tribal boundaries. The system was primitive communism.

With the advent of agricultural and a settled way of life, in order to work land and keep out the herds of nearby pastoralists, the wild beasts of the hinterland, and human predators, it became necessary to divide the land into paddocks or fields.

Thus it became possible to compare individual fields. Each had its degree of natural fertility and situation. Differences of advantage between a certain field and the least desirable one in use was measured as rent. The theory of rent, first concisely formulated although not discovered by David Ricardo (see Chapter 2) was used by Henry George to explain his system. Which we shall delineate as follows:

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1 Rent is the value or price paid for the use of land. The term 'land', in the economic sense, is confined to bare land - that which we refer to as site, or, in a broader sense, the environment.

Economically considered, land does not include private improvements upon the land in question, such as houses, outbuildings, gardens and, in rural districts, farm fences, dams and sown pastures. These, the result of labour on land, are wealth and, if used to increase wealth production, are capital (see Chapter 2). However, extraneous improvements such as, roads, sewerage, etc. which are effected by governments, well kept nearby properties, and proximity to trading facilities, are socio-economic advantages that give value to land, and hence to rent.

As land is a free gift of nature, no one may own it; one may only possess it. But labour or the ability to labour, is part of and hence the property of the individual worker and may be sold directly by him to an entrepreneur, pooled with others in a joint venture, or embodied in materials goods or services he *himself* produces. However, land is necessary for labour to operate, and to obstruct the worker employing his labour on land is to create unemployment.

Land is limited in quantity. If demand for a certain type of produce increases and prices rise, the margin of cultivation for that type of produce will, under the private monopoly system, move out onto poorer land, and the rent of better quality land will increase, i.e. law of rent. Landholders will reap the benefit. Therefore rent is a price of monopoly. It requires no effort on the part of the landholder.

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2 Labour is comprised of all forms of human exertion used in production, or preservation, of goods and services. It does not include theft or any other anti-social activity. Labour is required for production; theft adds nothing to the value of production. The thief only takes that which has already been produced. Labour operating on land produces wealth.

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3 Wealth consists of those natural objects that have been moved, fixed, divided, or combined by human labour, to suit human desires. Wealth is, therefore, the product of land and labour. The first being the passive and the second the active factor. (9.1).

The ultimate object of wealth production is its consumption. Some wealth is consumed directly; some is put aside to be used by labour in production of more wealth. The former we call consumption goods; the latter we call capital.

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4 Capital, in the broad sense, consists of the tools of production. It not only includes obvious tools, such as saws, hammers, printing presses, farm implements, office equipment, but also any other equipment used in production, eg flocks and herds, farm fences, factory buildings, ships, inventories or goods in course of production. However, if any of the above are used for immoral purposes, such as theft, murder, fraud, they are capital only in the micro-economic sense. They may be considered as gainfully employed by persons who use them thus, but cannot be so regarded from the macro-economic or general aspect, as their use adds nothing to the supply of wealth, but only takes from it. So it is with bonds that represent wealth that has been destroyed in prosecution of war or used in other wasteful projects that produce little, or nothing. These bonds consist of debts which are not secured by related, tangible assets but are loaded onto the future productive power of labour.

Capital, in one sense, extends the power of labour - the arms of labour - making it more productive and, although not an essential or primary necessity in wealth production, it adds such impetus that we may regard it, along with land and labour, as a necessary factor in modern production.

Capital is represented not only by material things, but includes ideas that are embodied in them. Without capital we should lead a very niggardly existence. In fact, one of the great divisions between human and beast is the use of capital.

(9.1) 'Labour is the father and active principle of Wealth, as Land is its mother.' Sir William Petty.

Some of the more intelligent animals use simple forms of capital. Beavers cut sticks and build dams. But modern human use includes progressive use, which means continuing improvement through thought and invention in the construction of new and more efficient forms of capital.

In hunter-gatherer societies, weapons of the chase; spears, boomerangs, bows and arrows, are capital, although in a very primitive form. But they are used to obtain food and other necessities, such as skins for clothing and bones for many uses. Approaching more settled ways, and later, with growth of urban life, there is a succession of capital inventions penetrating from earlier times right through to our contemporary, delicately poised society.

In this respect, capital consists of materialized forms of ideas which, if wisely used, replace labour in production. The more capital used, the less labour required to get the same result. However, some labour is always necessary, and an increasing use of capital produces new demands. Hence new skills and knowledge come into existence, and certain old skills and apparatus become superseded.

Capital, with its parent form, ie wealth, is usually elastic in supply, which may be varied to suit demand. But sometimes, wealth may be in short supply for a period, and a premium may be paid for its use, thereby forming the basis of interest (my comment).

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The Georgean method - collecting rent for public revenue in place of taxation - would mean the elimination of the most powerful and ancient parasitic class - the land monopolists. If the full ground rent was used for revenue, land titles would have no selling value. We do not pay rent and at the same time buy the land title. Rent for revenue would mean the end of private rent monopoly and hence of land speculation.

In contemporary western society, landholders, as such, occupy no useful purpose. Their affluence is at the expense of the workers. In addition, their power of obstructing production inhibits industry.

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Where private land monopoly exists, upon the inception of Georgism, except where land is required for public purposes, there would be no need for the state to interrupt anyone in his landholdings. In addition to being an injustice, it would disturb the economy unnecessarily. Provided they paid their rent to the state, landholders would be entitled to remain.

In most cases, there would no longer be any sense in holding land beyond that which was required for one's own use. Better to dispose of any surplus for what it would fetch - the market value of the improvements. To retain possession would be a dead loss, because the holder would have to pay a recurring rent to the state and also bear the cost of upkeep, or depreciation, of improvements.

With inception of the rent for revenue policy, many land titles, which had not been used to their best capacity, or held only for speculation, would be coming onto the market. and those who formerly were unable to obtain land, except at a premium to the holders, would now be able to acquire real estate titles at cost of improvements, and rent the land directly from the state. They would not pay an ingoing price for the land titles which, in our monopoly society, is usually well above the then intrinsic value of the land. In most cases, such purchases require a lifetime to redeem, as principal as well as interest payments have to be met.

Again, as landholders disposed of surplus land titles, those who were occupying the *then* marginal land, would abandon it and move to more desirable sites, and where wages are determined at the margin, they would increase accordingly.

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The land rent for revenue method differs from that of the socialists and so called communists, who propose to confiscate titles and substitute state for private management of land.

Second: some say that the amount to be collected from rent would not provide enough revenue for a modern state. But if you ask, 'How much is enough?' you will receive a vague reply - not a satisfactory answer.

How much is enough? I defy anyone to accurately assess it. Opinions differ and even under present conditions there are political groups who demand that taxation be reduced or even abolished. On the other hand there are extreme socialists who want absolute confiscation of private property. This is equivalent to one hundred per cent taxation. Rent for revenue would provide a main sum within which the government would have to operate in normal times. Apart from special circumstances, such as war, this would be the fiscal revenue. We should abolish taxation, as it is theft and a denial of individual rights.

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Upon the institution of Georgism, interest rates will become confined to what entrepreneurs can pay. This will be because, first: land investment and speculation, which create an extra demand on the loans market and hold interest rates up, will be no more; second: there will be a much fairer spread of incomes; third: proliferation of wealth (including capital) due to private enterprise, will mean that it is no longer scarce, and premiums paid for its use will decrease according to the law of supply and demand (ie the law of secular decline), with zero interest (and zero profits) as the ultimity. However, a small amount to cover costs for negotiating loans and cover risk will still remain. These are not pure interest but, respectively, a service charge and a type of insurance.

Premium formerly paid as interest (and profits) will now be divided between rent and wages as these two will be the only ways of primary disposal of production remaining. And, because of the simplification of government, state expenses will be much less than before the change.

As to supply, the freeing of industry from the present wasteful impediments on production, will mean that supply will increase. So that, with decreasing costs and greater production, rents will rise further, but people will have higher incomes with which to pay them. Consequently, there will be more than sufficient income to run a state system.

Under Georgism, interferences by the state in industry would be much less than under monopoly society, or socialism. Nor would social services take such a large slice of revenue, as people would be, on the average, much wealthier. Unnecessary government departments would be cut out and, with the abolition of taxes, cost of collecting revenue would be considerably reduced. Hence the expenses of government would be only a fraction of what they previously were.

I would suggest that half the revenue be used for state purposes and half returned to the people as dividends. In other words, the economy would be as a giant co-operative society with the people as its share holders.

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Borrowing under Georgism, would be a different matter than under the present taxation system. For instance: money which is wisely used for public works: roads, airports, port facilities, public buildings and other projects of a structural nature, increases nearby land values. Under the private monopoly system, most of the increase is retained by private landholders. The cost, a state responsibility, has to be retrieved through taxes, or remain as perpetual debt. Hence, landholders profit at the expense of the community. Under Georgism, increased rents due to public works, would return to the state as revenue and could be used to redeem the cost of the public works. Taxation would not be necessary. Again, with the fall in interest rates, a great deal of money, formerly paid out as interest on the works bill, would be saved. Public works would more than pay for themselves.

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Taxes cost an enormous amount to collect. If land rent replaced taxation, the revenue base would contract to one area instead of being spread over the large number of departments required at present to collect various taxes. Again, land rent revenue is cheap to collect, as land cannot be hidden, and the holder can always be identified through a terrier. Few clerks, relative to the revenue collected, would be required. Although there would have to be some expansion of personnel in the land valuation and rent collection departments.

The number of operations of the state would be reduced; bureaucratic bungling would be a lot less and so would its costs. The latter must be enormous although impossible to measure in the large.

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The system would also be self adjusting. For instance; If, in an agricultural district, there were inclement seasons, pests, or overproduction, resulting in a run of financially hard years, land values would decrease. Farmers would be paying less rent into the revenue than formerly, thus making it easier for them to carry on till times came good. Then rents would rise again as seasons improved, but the farmers would be able to meet them out of increased income. This would be much easier than meeting interest payments, as at present. No matter whether seasons are good or bad, interest has to be paid. Furthermore, fluctuations in rent would help compensate for price variations in all types of produce.

Compared to the private land monopoly condition, which now prevails in most western countries, the new way would mean that farmers would not be required to pay a large portion of their income for purchase of land titles. They would then be able to depend upon their income from enterprise and skill at their trade, varied only by the differences caused by seasonal and price fluctuations. Spending more of their income on improvements and machinery instead of having to use it to pay for land titles, they would receive their gains as producers, that is, from agriculture and livestock and not, as landholders, from the increase in land title prices, as at present. While farmers increase production, landholders do not.

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So we would enter into a new form of society - one in which economic and social justice prevails. However, with the physically and mentally handicapped, including the aged, to the extent they are unable to help themselves, compassion demands they be provided for out of revenue. In the beginning, pensions for these people should be retained but later rescinded in favour of a national dividend payable to all citizens.

Politics would change. Instead of selfish parties endeavouring to attain government for purpose of diverting revenue to their own pockets and also wasting money on futile schemes, with no fixed limit to their spending, state income (ie the rent) would be fixed annually.

If half the revenue was returned to the populace, in the form of an equal dividend to each person, in time, it would be enough for one to live comfortably without working. However, there would be plenty of work for those who wanted it. They would create it themselves, I would say they would be the majority.

6 *Economic Rationalization of Government*: State control should be kept to a minimum and certain departments abolished.

One of the greatest causes of inflation lies in the enormous growth of state departments. These, for purpose of analysis, may be divided into three groups; those that are necessary and productive, those that provide a social rather than an economic service, and those that are mainly unnecessary and anti-social.

The first consist of amenities that are of a network and thereby naturally monopolistic nature, such as roads, water supply and sewerage and, to a lesser extent, postal services and electrical supply. The latter may not be pure monopolies, as they could be in competition with private organisations that provide similar services. A parcels company may be in direct competition with the post-office, and solar energy may be a substitute for electricity.

Second: Within this group are education, which may eventually affect production, and also pensions and hospital services. These may not be of the nature of monopolies yet are necessary to civilized living and consequently have some claim upon community funds.

Third: There are those departments that we would be better of without, as they not only waste state funds, but also inhibit production. They include taxation (apart from the so called land tax) and customs (the section dealing with narcotics would be better under the control of the health services).

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To repeat: Even though it may involve certain strains and stresses, employment, to the extent that it is not directed towards production (or preservation) of goods and services, is not economic work. When paid for by a share of production towards which it has contributed nothing, then the *so called wages* must be considered as uneconomic and inflationary.

Consequently, in their budgeting, governments should be very stringent and selective, and the first of the three groups should get priority. It also may be necessary to spend something upon projects that are not of a direct economic nature. Compassion, the emotion that raises us above the beasts and crude jungle law, demands that we care for the very young, the aged and infirm, even though it may not be 'good business'.

Projects such as community centres, parks, monuments and other things of an ornamental rather than a productive nature, should be examined in regard to the financial condition of the country and, unless there are surplus funds, a good prospect of economic growth and a stability or appreciation of monetary values, they should be proceeded with sparingly and cautiously, if at all. The propensity of politicians during periods of acute inflation, to plunge the economy into a round of circuses and displays, in order to distract the people from their unsatisfactory predicament is, in the long run, an anti-social and dangerous practice.

In normal times, departments of the third category, such as taxation, customs, etc., do not exist for the benefit of the community, but rather to extract wealth from its producers, the toiling masses, and direct it to parasites who have been able, by cunning and force, to influence the control legislation, or take advantage of such legislation. These operations incidently create a trend towards rising costs.

In a very crude manner it was possible, under simpler conditions of the past, for a nation to blunder on despite these obstructions. But they have no place in our complicated and finely poised, contemporary society. They produce violent disequilibrium, which can so easily develop into collapse, and therefore, in the name of safety, if not justice, should be abolished.

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As we have discussed, under equitism, the activities of the politician would be reduced, and most of the revenue of the state would be settled as in Clause 1 manifesto. There would be no argument as to which commodities should be taxed and to what extent, as rent would take the place of taxation.

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Third, open market operations, ie by government purchase (or sale) of bonds, as advised by Keynes, was used.

However, despite the above regulating instruments, (SRD, LGS, and open market), inflation in Australia, still continued. The government, being aware, introduced a new method in August 1988. Statutory Deposits were to be phased out and replaced by non-callable deposits with the Reserve Bank. To day, banks are required to maintain capital adequacies to back their loans. These consist of core capital, tier one, ie approved, listed assets over which a bank has control, and tier two, less sure assets or supplementary capital, which may be acceptable but to a lesser extent than tier one.

Diverse risks carry a prescribed loading according to the Reserve Bank's assessment. The asset backing of at least eight per cent to loans is required.

This method is supposed to bring the Australian banking system into line with world banking practices as advised in July 1988 by the Baise Supervisors' Committee. But the purpose, remains as before - to control the issuing of money. It is a technical matter and of concern to banking economists.

I have taken Australia as our working example, because I am familiar with it. In most countries there are some forms of monetary control. But many governments have been too lax and have allowed increases to the extent of inflation. This is why an independent tribunal with powers of a court is required to curb governmental waste.

We do not return to the earth what we take from it; each crop that we harvest leaves the soil poorer. We are cutting down forests we do not replant; we are shipping abroad, in wheat, cotton and meat, or flushing into the sea through the sewers of our great cities, the elements of fertility that have been embedded in the soil by the slow process of nature, acting for long ages.

'Social Problems', p 24. Henry George, 1839-97.

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Apart from George, whose economics was land-involved, economists of the past were unaware of the environmental question. This was quite excusable, because, in those days, with relatively limited means at their disposal, people were not, as in modern times, so capable of damaging the environment.

As mentioned in the introduction, there were pockets of pollution, such as city slums, mines and industrial valleys, where poisonous fumes, pervading the air, affected the lungs and general well-being of the people. Although noticed by George, the problem was not so apparent to the general public. The workers involved were more concerned with how to get enough to eat and wear, and how to reduce the long, weary hours of labour. The establishment were scarcely interested. Making, or protecting their fortunes and enjoying their wealth occupied their thoughts. But by far the greater part of the earth's surface remained unpolluted.

However, since those times, invention and capital accumulation have increased so much that, engendered by the operations of certain powerful and reckless entrepreneurs using modern machinery and methods, large portions of the earth have been damaged and are being damaged even more. Decline of air quality alone could become enough to render life impossible in many parts.

Monopoly society lends itself to these forms of exploitation. In the rush to get rich, something has to go. It happens to be the condition of the land we occupy, and from which we must obtain our living; the earth - our collective mother. To pollute the earth is to defile our mother.

Residents of big cities are the worst offenders. Here, industrial and human waste pours into the environment, and the lifestyle of the residents sucks the essence from agriculture and other primary industries.

Our power over nature has become so great that, if we do not use it with caution, we may absolutely destroy the environment and, with it, ourselves. But luckily, we are becoming aware of the problem, and being aware is the first necessary step to solving it.

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Nowadays, economics and environment are considered as something apart and there often occurs friction between them. Politicians are concerned about compromising the two without unduly disturbing either.

Although there may be friction between the monetary economists and the conservationists, there need be none between the latter and the land economists. In the long-run, destruction of our environment - the earth - is not good economics. Except under extreme pressure, no prudent entrepreneur would consider destroying his most important *asset* for short term gain. In the broader field of political economy, wisdom demands that at least we do all we can to preserve the land. For the land is humanity's greatest asset. Besides, if we destroy the earth, we destroy all life. And we have no right to do so.

With our money-orientated economy, however, it often happens that, with the depredations of protection, other forms of taxation, inflation, the high price of real estate and amounts to cover redemption and interest rates on borrowings, those employed in direct contact with the environment - farmers, fishermen, timber getters, etc, have to flog the land for short term gain in order to live and pay their debts.

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As money forms a very important part in the operation of modern economics, it is enough to occupy the whole attention of many economists. So we cannot ignore it. However, it is not the whole story of economics, nor the greatest. As compared to land, money must always take second place.

Again, the affairs of a whole economy cannot be viewed, or settled, from the limited standpoint of money. Attempting to do so, only confuses the issue. And that is what happened to Keynesism. The effects of landholding must also be considered.

While we consider everything from the money angle, as most persons now do, we are not likely to make much progress. It will be necessary to loudly proclaim the importance of land economics over money economics before any great advance can be made in environmental salvation.

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Since the nineteenth century, in the advanced countries, the shift of economic activity, and hence population, from country to town, and the repercussions, which we first discussed in Chapter 2, has increased enormously. In today's western society, there are few persons who do not live within an urban district, but also such living has become more intensified and cut off from the outside world. Unfortunately, under democracy, where majorities rule, influential opinion comes from the towns.

In ancient times, most people lived and worked in a rural or natural environment, of which they were constantly aware. Their whole lives and thoughts were greatly influenced by the elements, whose effects upon their well-being was their prime concern. Not only did the elements directly affect their physical comfort but also influenced their food supply - their crops, their fishing, etc. Extraordinary natural events, such as too little rain at planting time, too much at harvest, or continual stormy seas, could result in starvation or even death. So their thoughts were constantly turned to what was happening in the great world around them. Their gods were agricultural gods, and sacrifices were made to please them, so they would return the generosity with bountiful seasons. People felt they were a part, although a minute part, of the cosmos, which extended from the stars down to themselves.

However, their opinion was limited by ignorance, and false propaganda engendered by feudal lords and others who profited from the unjust social set-up, and also by superstitions foisted by the church. But apart from these, the direct involvement of people with the soil meant they were on the right path, while the town dwellers were not.

Since the change from predominantly agricultural to mainly industrial society, the outlook of the majority has become restricted. They spend most of their time in an enclosed space surrounded by walls. They tend to forget the outside world, or they consider it as a remote and hazy place - the habitat of a sub-human species known as 'bushwackers' or 'country-bumpkins', who dwell apart from the mainstream of life, which, to them, centres on the cities.

In this unnatural environment grew the false conceptions of life and economics. These conceptions were limited and not precisely relevant to the real world. Thinking was concentrated on material goods and money. These appeared to be the important things, and the venue nurtured the erroneous doctrines of Marx and Keynes.

However, of late, there has been some reversal of the trend. With shorter working hours and longer holidays, some people spend their spare time outside the social cocoon and with nature. Our citizens may go boating, swimming, walking, gardening or some other outdoor pursuit. To some extent he comes into contact with nature and the universe. He discovers a different world to his air conditioned environment, and it influences his thinking. The city dweller is once more becoming familiar with nature but is approaching it as a novice; looking, as it were, from within a room and through a window. Trapped in this situation, most people see the world from a limited viewpoint. But at least they do see it. Hopefully they will soon shed the illusions.

The novice expresses adamant opinions about experiences he has only recently been introduced to, without going to the trouble of exhaustive investigation and analysis. Therefore he sometimes arrives at conclusions that do not stand up to logical discussion. These findings may be so absurd and ill-founded, that, in the longrun, they could do considerable harm, even to the extent of destroying the movement. Here are two examples:

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A few years ago, some animal liberationists (not necessarily all conservationists) were incensed about the killing of baby seals, on the frozen St Lawrence estuary, for the fur trade. The seals were dispatched with clubs. But although this way appeared brutal and cruel, it was just as humane as the best of other methods, and also there was a sensible reason. Little noise was involved. The following informaton, quite relevant, although of a different place, was reported over a hundred years ago.

These islands are the breeding places of the fur seal, an animal so timid and wary that the slightest fright causes it to abandon its accustomed resort, never to return... The men who do the killing must be in no hurry, but quietly walk around the seals... until the timid animals, ... show no sign of fear than to lazily waddle out of the way. Then those that can be killed without diminution of future increase are carefully separated and driven inland, out of the sight and hearing of the herds, where they are dispatched with clubs' (11.1).

More recently, emotional scenes were presented on TV, showing what appeared to be a brutal, savage trade. The media intended it that way and were exceedingly successful. To rouse emotions direct, without reason, and so increase ratings, has always been the method of some in that occupation. Animal lovers fell for the ploy and were soon trying to stop the fur trade. They were partly successful with Canadian legislation. But they influenced like minded people in Europe and so managed to diminish the trade.

The result: The seal population increase to natural limits, where it flogs wastefully against subsistence, and the quantity of fish decreases. Fishermen and dependent workers find it hard to make a living. There is more misery all around than if the seal harvest had not been strangled.

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The other case, with which I am more familiar, is the culling of kangaroos. The latter is a very tough, speedy animal. It requires some drinking water but not very much. It can travel quickly over great distances to get it. And, in parts of the Australian outback, natural watering places may be more than one hundred miles apart.

Most of the country consists of vast plains or of rugged mountains. The land is subject to droughts that may last several years. After a few wet seasons, many of the watering places dry up. But as the kangaroo can travel miles to water, it is some time before it reaches the thirst stress that leads to death. Kangaroos go farther and farther back from watering places in search of food and so eat out the remote vegetation. Natural fodder - grasses, clover and edible bush - regenerate slowly and it takes a few good seasons before a surplus builds up again. Kangaroo numbers increase with it. As the seasons dry up again, many kangaroos die of hunger or of thirst. It is not a very pleasant thought. But nature is callous to the suffering of her children.

With the coming of the European, the watering points have been increased by provision of tanks (artificial water-holes), banks across water courses, wells and bores. And bores do not dry up during droughts.

With the increase of watering places, the kangaroo population grows beyond the previous capacity of its habitat until, once more, it presses against subsistence. Then the tragic syndrome of drought and death by starvation sets in again.

(11.1) Henry George, *Progress and Poverty*, p 400, Robert Shalkenbach Foundation; New York, 1971.

Eventually, the rainy years return and for the time being the death rate declines. But a lot of damage has been done to the edible herbage. From now on, the capacity of the land to carry life decreases, and the stress periods become more frequent. Gradually, the country develops into a true desert.

Not only do 'roos suffer but so do other native fauna. Exotic animals, cattle, sheep, goats and rabbits, are also caught up in the same predicament and, at times, the plains are strewn with carcasses that bear grim testimony to the niggardliness of nature.

But sheep and cattle populations are under control of landholders and may be checked during good years to fit in more with the average carrying capacity of the land (11.2).

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During childhood, we were entertained with fairy stories in which the characters were mostly gentle little creatures richly endowed with the best of human attributes, with here and there a naughty animal, such as the Big Bad Wolf, who eventually receives his just deserts. Oh! *The wonderful world of Disney*.

If we grow up, we find the real world is not like that. Seals and kangaroos are wild creatures and therefore subject to elementary natural law. The Malthusian theory of population pressure against subsistence is true of the animal world. Here, nature operates inexorably without regard to life, and often with tragic results. Mankind, by use of reason, may mitigate the cruel effects of natural disaster; animals cannot.

If numbers are not checked by humans, using quick and effective means of control, the suffering of wild animals will be much greater. So that, in the long run, the controlled culling of certain prolific wild creatures is actually humane and should be advocated and not opposed. Again, it provides a living for certain honest, hard working people.

Therefore, although it may be pursued by well meaning folk, blind opposition to culling is not the right way. It is likely to add to suffering rather than reduce it. As has been said, the road to Hell is paved with good intentions.

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When we are beset with a problem, let us call reason, which with we are endowed, into operation; let us work out the best course to take. In the above cases, controlled culling should be preferable to none or to indiscriminate culling which could result in eliminating a species.

The inference; If you believe the care of the environment is of utmost importance, and if you wish to alleviate needless suffering and at the same time help humanity, do not adopt a course of action until you are sure of its beneficial effectiveness.

If you have made mistakes, admit it; then, having rectified your thoughts, find the right path and proceed along it. The environmental question is too important to risk or to abandon. I know of certain rural areas that were fertile in my youth that, owing to salting, are now absolutely barren, and it appears that these areas are growing.

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Again, if it is true, as some scientists believe, that there will be a general environmental decline, humanity will be confronted with a shrinking area of useful land. Populations will be crowding onto smaller and smaller areas. Rental values and real estate prices for these parts will sky-rocket. If the land is privately monopolized, a small number of landholders will become increasingly rich with misery for the rest of the people. But misery will be lessened if the ground rent is used for public purposes. Then we shall all share in the increase of the remaining rental values.

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(11.2) In some parts, upper limits of carrying capacity of sheep and cattle are fixed by government regulation. Unfortunately, at times and places, it is not adhered to. But rabbits and, in some places, feral goats are considered such a pest that their numbers may be depleted without regulation, and some people make a business of trapping or of shooting them. But there is not enough of this to hold back increase.

The weakness of conservation is that it is a single issue and, even though the greatest confronting humanity, it is not enough on its own to sustain a political movement over a substantial period. Economic and social opinion is also necessary and must be different from those of prevailing political parties, because the base is different. Socialism and monopoly society arose from and operate in restricted areas. In search for a policy, it would be futile for conservationists to turn to socialism, whose limit is industrial society, or to monopoly society, falsely called capitalism, which is concerned with money to the extent of obscuring the land question.

But land economics meshes in with conservation. They are joined in the same basic issue - the earth and all pertaining thereto. Equitism has its roots in the relationship of mankind to the earth and seeks to install justice in place of monopoly and human exploitation. Conservationists desire to preserve and improve the earth against human exploitation, so it will not die but sustain abundant life into the foreseeable future. Equitism is against people exploiting people. Together they create complete political unity.

However, this book is primarily a treatise on land economics and not on conservation. And, although they align, they treat different aspects of the same universal subject - the land question. As movements, they should remain independently viable. Their conjunction should be in the political arena, where they could support each other and form a bulwark against the greedy exploiters.

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For our ultimate survival, the movement back to nature is necessary. It is only there that we can find answers to problems that perplex us. We should devote more of our time to outdoor pursuits and pastimes. So doing, we shall find the real world spread out before us like a colossal canvas. Absorbed deep into our sub-conscious, the experience will exercise a beneficial influence upon our thinking. We shall see life from a new and more realistic angle.

My intention is not to discourage civil living; such is require to maintain our present status and progress into a better future. But the addition of the universal experience will put our philosophy into perspective with the cosmos.

Whether any of the habits, mentioned in the last paragraph, are socially immoral or are not is debatable, with a large amount of opinion on either side. In a democracy, majorities are the token of force and so have the power to make minorities conform. But this may be substituting might for right. Upon these grounds, the only question that should concern us is; would an act detract from the rights of other individuals? Unless, we are sure it would, or that it is potentially dangerous, we should give those who would practice the benefit of the doubt and allow them to operate.

What we have to be careful about is that, in forcing opinions upon others, we *ourselves* are not committing immoral acts. And also, is the opinion of personal morality being acclaimed to draw attention from social immorality? Again, how much personal immorality arises from social immorality? If the latter was abolished, to what extent would the former diminish.?

Consider thus, there are two forms of concepts of morality which we may describe as individual and as social. With over-emphasis upon synthesis at the expense of analysis. Marx failed to discriminate. His only idea of morality being as expressions of different forms of society, not of individual morality. Again, Marx did not distinguish between morality and pseudo-morality.

Truth is also the concern of social morality. Generally speaking, the liar is pursuing his own selfish ends at the expense of others. He is, therefore, aligned with the thief and other deniers of individual rights. However, lying is acceptable under certain circumstances. For instance; if a woman who is about to be raped says, 'I expect my husband home any minute,' when she knows he is miles away, then she is choosing the lesser of two immoralities - lying, to counteract rape. And this is excusable. The same test may apply to property. Destruction of other persons' property, without their consent, is a crime, but when the Great Fire of San Francisco was raging, the authorities order certain houses, in the path of the fire, to be pulled down, so saving the rest of the city. In such cases the end excuses the means.

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There is a type of morality common to all forms of society - a common code necessary for human survival. For instance, murder is universally immoral, as it contradicts individual rights. Nor does it matter what the type of society; Christian, Islam, monopoly, socialism, communism, or whatever, murder is unjust and, generally, all responsible persons should be aware of it.

With the advent of the Enlightenment and concept of individual rights, thinkers, searching for a criterion defining the limits of freedom, formulated what became known as the 'law of equal freedom'. It implied that you could do whatever you wished, so long as you did not encroach upon the equal right of anyone else. Another way of expressing the idea was; the freedom of each bounded by the like freedom of all.

Although there had been glimmerings, this concept opened by a whole new philosophy that was necessary for an advancing society. However, it was a human concept and not altogether perfect. There were some exceptions. These were associated with probabilities. While homicide is always immoral, if a madman is threatening you with a gun, if possible, shoot him before he shoots you. If you wait until he actually oversteps the limit of equal freedom and shoots, it may be too late for you and possibly for others. If a person is persecuted to the extent that death is a relief and there is no other escape, then such a one may be excused for taking his own life. So again, when faced with immoral alternatives, one may be excused for taking, in fact should take, the lesser.

If you see a person about to commit suicide, should you try to stop him? After all he is only exercising his individual rights. But perhaps he is just temporarily insane and may reconsider if given time to recover. Again, apprehension would not be absolute restraint. If he is still determined to suicide, other opportunities will occur.

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Organic state theorists have always exaggerated the imperfection in the equal freedom argument, ie that it does not cover all cases. They do not believe in the individual rights of the common man but wish to sustain or advance the cause of those imbued with the lust for power. The idea of social equality runs contrary to the Hegelian philosophy.

However, there are examples of compromise between liberal and organic opinion. They were developed by certain liberals and democratic socialists who believed that originally the individual had paramount rights but exchanged them for a vote in the affairs of the state. Once having exchanged, the individual was justly obliged to abide by state decisions. The power of the state being derived from the people.

Even if majority decisions were unjust, those upon whom the injustices were visited were supposed to endure them no matter what the consequences. It was assumed that to dispute was anti-social.

But with most of us, there is no willing surrender of individual rights. We are born under state control whether we like it or not. The mesh of the state awaits the child at birth. In this way our rights are stolen from us. We are born into bondage.

Again, if we have a right to vote, we have a right to refrain from voting, even though it may be denied by power-intoxicated politicians. In fact, the refusal to vote is the only remaining stand upon human dignity that most decent citizens have. And with those who do vote, it may not be to elect a certain candidate, but to keep out one less desirable.

In a democracy, majorities are token of the stronger force. It is assumed that, in the advent of a stand-up fight, the majority would win. So it is better to settle a matter without going to that trouble and pain. This may be commonsense, but it does not give the majority a right but only demonstrates its power. There is nothing moral about majorities. Majorities, or minorities, are only right when their thoughts and actions coincide with justice. However, under normal conditions, majority rule is better than autocratic rule. At least it is the collated opinion of a number of persons and is not so likely to be as harsh, or erratic, as the edicts of a dictator. Although, sometimes with a weak democracy, if we dig deep enough we find a dictator. But whichever way regarded, majority rule is only a substitute for direct force.

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If, in our search for a criterion, we reject the law of equal freedom, what substitute have we? Hegel, the high priest of the organic state cult, does not say. However, the social set-up with its monarch and array of lesser potentates was well ensconced when and where he wrote, and he accepted this sort of arrangement as sacrosanct. Apparently it did not occur to him that there were other forms of society, or that *his* nation might be overthrown by outside forces, as it eventually was.

Most political questions may be decided by the law of equal freedom. Put to the test, chattel slavery, land monopoly, taxation, protection and other such impediments upon freedom are anti-individual and anti-social and hence immoral; although they may be considered legal. They should either not be entertained, or done away with. So it is with what we call illegal crime - murder, theft, grievous bodily harm, rape and the like. As we have seen, there are other cases that are not so easily definable but should be treated on their individual merits. To have any ability to do this can only be achieved after an exhaustive analysis of social morality, and in some cases trial by error.

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Morally considered, equitism agrees with the concept of the limited state. Normally, the state should operate within the boundary of equal freedom. Some cases of morality are always paramount to the power of the state. It is easily understood that the state should not condone what we have already defined as illegal crime - murder, theft, rape, civil corruption, etc. But sometimes legal crimes - eg slavery, land monopoly, protection - are supported by the state, even though they are contrary to social and individual rights.

There can be no acceptance of chattel slavery. Nowadays, this is obvious to most persons, and they would be prepared to defend their opinion. But once, chattel slavery was considered quite normal and moral. It still exists openly in some parts of the world and slightly but covertly in most of it.

Private monopoly of land is always immoral and should not be tolerated let alone encouraged by the state. As with chattel slavery, there can be no exception to this rule. Land is limited in quantity and is of absolute necessity to life. Those who monopolize it do so at the expense of others. They transgress the law of equal freedom.

Taxation is an impost upon individual rights - the right to property. But there is one specific case in which it is acceptable. During war or lead up thereto, statutes may be invoked for defence (but not for aggression). We should be willing to surrender our individual rights temporarily, including our property and labour, so that some of us may survive till peace returns. Most civilized countries have precedents such as what is called 'a state of siege', or the British 'DORA' (Defence of the Realms Act) of 1914, which give the state power over the people for the duration of the war and one year after. Then the state is to be returned to its normal position in society - as a device to be used for certain purposes, which we have already discussed.

During war, a totalitarian policy may be necessary. In fact that is one situation where socialism is useful. Socialism should always be associated with war or disaster and then only for such periods. In all other situations it is detrimental to a country. But we hope for the day when war is no more.

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Although the Enlightenment ushered in the concept of individual rights, the latter did not reach anywhere near its full expression. There still remained a hard core of exploitation. Adam Smith did not accept the complete findings of the physiocrats. He did not advocate collection of rent for state revenue, ie the *impot unique*, nor did he propose the abolition of other taxation. And despite him writing *The Theory of Moral Sentiments*, to which the *Wealth of Nations* was antithetic, it was never popular.

Conscious and definite movements towards equal freedom have existed only at rare times and places and in modern times in a few countries of western Europe and some of their offshoots, such as USA, Canada and Australia. In most other countries the population is only dimly aware of its totally ignorant of human rights or of justice, in the whole of human history, there have been only rare times and places where freedom has been practiced to any extent. Where and when it has advanced, it has eventually been driven back but never completely overthrown. Wherever and whenever people think without encumbrances, there intellectual freedom resides. The present age is no exception. And freedom is absolute necessary for the advancement of civilization.

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The First and Second World Wars exposed Hegelianism as a failure and an abomination. However, it is not dead but has adopted another approach. It points out the niggardliness of the miscalled liberal, but really private monopoly, system, which is apparent and is the result of not carrying the Enlightenment to its logical conclusion. In guise of my lady bountiful, the organic theorists offer compassion and succour to the underprivileged. But they are not genuine or else they would oppose such glaring injustices as land monopoly, taxation and protection.

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The romantic movement - an art style - was, as its name implied, concerned with the glories of the past. It was a looking backward to when people were supposed to be heroes or heroines, and favoured return to those times. In Germany, the myths of folk legend were resurrected and extolled, and a romantic, Wagner, through his operas, attempted to align German mythology with Christianity and Siegfried with Christ.

Mythology, whether German or not, is unlikely to present the plain truth but a vainglorious distortion. This is all very well if we are aware of what it really is - just a form of entertainment. Most people accept it as such. But those Germans who confused it with reality suffered from hallucination - a madness that became infectious. It was similar in form, but much greater than the fervour that grips the followers of a football team. When the major part of a whole nation is so affected, then it is on the path to destruction. My country (12.1), my race, my people - they are causes that lead to war.

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As a style of art, the economist need not be concerned with the romantic movement. All peoples have their mythology and, so long as they are aware of it as such and no more, all will be well. In fact, it may be of real benefit as a form of relaxation from the rugged world of actual experience. Within its aura, we may don the cloak of the person we would wish to be - a hero or a heroine - and do brave, or compassionate deeds. Fantasy has always had an emotional influence upon the human race and has often sustained peoples in times of stress.

But the romantic movement ties in very well with the organic state theory. The faithful, having had their machinations revealed in two world wars and in national socialism and communism, have dropped their former ways of action, ie war, or the class struggle, and espoused the romantic movement instead. Now, they appear as philanthropists - philanthropists with other persons' money. They advocate social services which involve trading freedom for a mess of pottage. *Will you walk into my parlour, said the spider to the fly.*

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In most primitive forms of society, little was produced beyond subsistence. Consequently there could be few parasites. But as civilization has advanced, it has always been beset by a *leading* class who claim to be of infinite value to the community by providing some extremely important service. Its members are supposed to be superior to the rest of the community, and the latter should be obliged to pay respect, if not veneration. The leading class makes decisions as to national, social and economic policy and the rest are supposed to follow.

The leading class has not always been the wealthiest; although it usually commands enough wealth to make it more than comfortable. Its income may consist of generous state salaries, from investment in capital concerns (usually monopolies), or from land rent.

The leading class may consist of warriors (mostly in the past), religious leaders, philosophers, traders, or academics. In ancient Athens it was the philosophers; in ancient Sparta, the warriors. And so it was in medieval Europe, ie barons and knights; or clerics, as it still is in some parts of the East such as Iran. In western Europe during the nineteenth century and the first part of the twentieth, it was the traders.

Today the tendency is for the lead to swing towards the academics. This movement had been slowly developing since medieval times, when scholars were not even allowed to marry; a custom that has been deplored by some on the grounds that intellect tends to breed intellect. The contention is not substantiated, as sometimes the cleverest couples produce morons, and genius may arise from the proletariat.

During the early and middle ages in Europe, instruction was the prerogative of the church, although clerics were venerated, it was not because of their earthly knowledge but rather because of the public's fear of the hereafter - the latter being a subject in which clerics were supposed to have superior knowledge.

(12.1) Patriotism (love of one's country) may be expressed in two different ways. The first arises out of the physical nature of a certain region and the feeling it inspires in the inhabitants. A. B. Paterson expressed this with his words: And he sees the vision splendour of the sunlit plains extended,

The second feeling is inspired by the human society that occupies the region in question - the urge to advocate a way of life including its social values. *My country right or wrong.*

The first of these emotions is not harmful and may even be of benefit to mankind. In the large, the second may be extremely harmful. It may lead to war and all the travail it involves.

In time, secular learning became divorced from religion. Education as taught by the church had become so conservative that it had slipped far behind the forefront of knowledge. The clerics were resentful of progress, using their power even to the extent of persecuting anyone who disputed their hide-bound doctrines. However, the dissidents prevailed, and today many luminaries are agnostic, or atheist.

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Most academics, and particularly scientists, have an economic and hence social value in that they preserve and extend knowledge and invent machines, chemicals and systems that show how to increase production, or make it easier. They are provisioned out of present production, so they are able to continue their work safe from fear or want, or of other worries. They are entitled to a good living and security.

However, up to the Second World War, they were regarded as 'back-room boys' or as 'academic eunuchs', not to be compared with virile and intrepid soldiers and captains of industry, who went forth and wrestled with fate.

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The first atom bomb did more than ruin a city, it swept away many old ideas, such as the organic state conception of war. Scientists had shown a physical power they were capable of producing. No longer would they be considered as back-room boys. The bomb was their advertisement. They had challenged the existing establishment with a big bang.

In the beginning it was the physicists alone. They had caused the change. But before long the rest of academia, ie the academic establishment, jumped upon the band-wagon, so creating a new and *superior* class. Today they are the music makers and dreamers of dreams. Along with their new status they cast off their academic eunuch label and were supposed to gain virility. Or so it would appear by the new propaganda of the apologists who formerly were deriding them. Academics became great lovers and intrepid adventurers as were the heroes of old. Even the establishment moved over and payed homage. Today, one cannot become a commissioned military officer or a business manager unless he has a degree. And it looks as if farming will become likewise encumbered.

In fact, it is almost axiomatic to say that, today, no person can obtain a position of responsibility without academic qualifications. This leads to an elevation of the well educated and second class citizenship for the rest.

That we should abandon academia and return to a simpler form of society that requires less technology would be a step backwards. Science is a necessity for progress.

Scientists have deep specialist minds which have a propensity to concentrate upon specific subjects. Result: a furtherance of the division of labour which increases production and adds to knowledge.

Scholars become considered as superior people. They are supposed to know a lot about a specific subject, and from this the public assume they know everything about everything. This is wrong because, in politics, a wide knowledge is more important than specialization, and scholars are usually ill-informed about subjects outside their own faculty.

The concentrated study required within many disciplines may mean that the participant has neither capacity nor time to consider additional material. Nevertheless, the greatest scholars - the geniuses - have enough depth and breadth of mind to encompass a wider portfolio of subjects. For instance; Wallace the biologist was also a great sociologist.

People eugolize the scholars, thinking they are the clever ones who should be leaders and rulers of society, and that everyone else should follow their advice in all matters. Hence it is to be expected they become obsessed with an exaggerated opinion of their own importance. (13.1).

The claim that they are the most important people, fits in with the concept of the organic state - a society of steps and stairs with everyone at his own level and with a ruling class whom others should obey.

Most of us, even though possessed of only average intelligence, do not want to be regarded as inferior - as fools or failures. Intellect is not the only measure of one's worth; consequently, we have a right to life devoid of such insults. We should be allowed to develop our personality, limited only by the equal right of others.

Under democracy, there have been some attempts to curb the rulers, hence constitutions which define limits within which governments should act. However, they are not entirely satisfactory. The majority may still persecute the minority or, with best intentions, act against it. Again, there are certain rules and customs that conform to the law of equal freedom. These should remain as template to all social codes. Even if the majority is against them, it only has power but no right to deny or to alter them. It is foolish to blindly follow a certain class or individual without consideration of individual rights, or social codes, or to decide issues by force alone.

With national socialism under Hitler and communism under Stalin, this actually happened, and history has shown the dead sea fruit of such a course. To accept the organic theory is to deny its opponents, even though they may be moved by imperative obligation and are morally right, placing love of justice above loyalty to a contemporary state. Under this situation rebellion is justifiable.

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Now, let us focus attention upon the students. To obtain social status, it is becoming increasingly necessary for a student to have some form of credential. If he can enter a university and emerge with a degree, he may feel he is entitled to a well paid and influential position for the rest of his life. However, with the increasing number of students so trained beyond necessity, we must change this to; if a student obtains his degree or diploma, he is *more likely* to obtain a desirable position than if he does not. Consequently, unhealthy competition and resultant stress is experienced by our children as soon as they enter school.

(13.1). Dr Nun-May and Karl Fukes, two physicists, were of this type. They had assumed that Marxian communism was the coming society and, secretly defecting from Britain, spied for Russia. Like many of those imbued with their own importance, history brands them as traitors and fools.

Parents fall in with this undesirable situation, encouraging their children by threat, or promise of reward, to extend themselves beyond their normal pace or capacity. One need not search far to see the effects.

A form of severe neurosis is engendered in our children as they struggle to absorb instructions. Some fall by the way, to become 'second class citizens' with the denigration accompanying that state. They are referred to as 'drop-outs'. Many others struggle on only to fail in their final year. Unfortunately, these are often taken to task by their parents and ridiculed. Even though those parents would have done no better themselves, they have been prevented from basking in the glory of their children's success. The failures, and those who just struggle to pass exams, often turn to all sorts of palliatives - even to drugs or to suicide. They have been overwhelmed by the immoral force of the state and consider life as not worthwhile.

As far as we know, the child does not ask to be born or to be educated, particularly into the false concepts of a society that only wants to make him into a mental automaton programmed to operate the apparatus of the establishment.

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Capacity to absorb and process knowledge is stronger in some persons than in others and varies at different ages in diverse lives. Some reach their greatest intellectual power early in life. The cleverest of these we call child prodigies. However, very often, by maturity, their genius is burnt out, and they proceed as ordinary citizens or experience decline. With others, resilience is such that their mental vigour remains throughout life. Yet again, some are slow learners or late learners. They reach their mental majority at an older than average age. They are likely to continue learning and are usually possessed of flexible intellects geared to conjure up new and progressive ideas. Our education system does not make enough allowance for this group. So our society misses out on much valuable contribution (13.2).

There is the photographic memory, or what we might call the floppy-disc mind, in which knowledge may be recorded and played back when required. Unfortunately, some are possessed with this faculty alone. They receive information from their instructors and can repeat it word for word. They are likely to pass their exams with colours flying and be credited with all the credentials of the learned and intelligent.

This is only to be expected as, if the student can fire back the answers to all the question in identical words to what has been taught, the instructor will unwittingly credit him with intellect and ability. Most of us have an unconscious but egotistical propensity to consider those who use the same words and repeat the ideas that we favour, as clever persons. After all, *are we not clever?*

Even if the questions appear as, 'In you own words describe ...' The photographic memory can describe all right, as its teachers, if they are possessed with any imagination, have already described the subject in detail and in their own words. And the photographic memory can recall the words. But the danger is that such students may have neither the mental capacity nor range to enlarge upon what they have been taught. And the pity is that they are likely to obtain important positions. Thus we have among the bureaucrats and professions, nincompoops, whose only contribution is to foul up progress or turn it to regression. Henry George described them as 'mules that pack a library'.

It is a ticket society where how much or how little you know does not matter, nor does the capacity to enlarge upon what you have been taught. The only criterion is your credentials, which indicate you are competent to operate in a prescribed calling.

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(13.2) An invention of modern times, the extended university, is of help to some of these people and should result in advantage to the human race.

I am not trying to denigrate education. It is necessary for the advancement of society. I wish to demonstrate the effect of learning in either a monopoly or a socialist society. Our educational systems are the invention of humans and are imperfect. But they are all we have and from which we may judge knowledge and ability; unless we use the rather slow process of trial by error or pragmatism. Therefore, under either monopoly society, or socialism, this leaning towards education and theory as an indicator of a person's ability would be much stronger than under an equitist society, where the control over humans is less, and decisions are left more to each individual and not so much to those appointed by the state. The operations of the state are to be fewer under equitism, and so are the number of bureaucrats whose only claim to position is that they are *educated*.

Under monopoly society and socialism, the academics become numerous enough to form a class of their own - a powerful class concerned with its own aggrandisement and not with its value to society.

Of course not all educated persons enter the bureaucracy. Some are employed by private industry. But, under monopoly society, even here, too much emphasis is laid upon credentials. This applies particularly to employment in monopolies, which do not have to be as economically efficient as competitive industry.

A good deal of fouling up of industry and piling up of debt, both national and private, has resulted from *experts'* advice. Wherever there has been uncertainty as to the future, there have been soothsayers who said they could predict correctly, but they have not. Under monopoly society and socialism, they continue to grow, to advise and to create havoc. They are part of the inefficiency of such systems (13.3).

To repeat; as equitism is not so complicated as are monopoly society and socialism, fewer bureaucrats are necessary. Responsibility for decisions devolves much more upon each individual. Beside saving expense, which the bureaucrats do not provide out of their own pockets, and also the cost of clogging of industry, owing to too many controls and too much red tape, equitism would be more satisfactory to all but those imbued with the lust for power; it would give a sense of freedom and individual worth. Nevertheless, within both private and social affairs, some control would be necessary; but it should be kept to a minimum. Today, under various pretexts, there is a tendency to create new departments and positions superfluous to the skilled operation of society and the economy. They provide well paid sinecures which in modern jargon are called "jobs for the boys".

Academics are important to a civilized society. But under equitism the selection would be different than under monopoly society and socialism. In all forms of gaining knowledge, particularly with research in medicine and health, analytic chemistry, engineering and similar disciplines of science, more would be employed, and there would be more money to fund them as there would less spent on sinecures - so the system would provide for an increasing number of scientists to channel ahead for future production and accumulation of knowledge. Production and knowledge would grow upon production and knowledge.

Consequently, equitism differs from extreme anarchism, in which the state is to be done away with absolutely. However, its activities would be reduced, and certain practices that are an encumbrance to society would be abolished.

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Not all academics are over-concerned with their own importance. Many are so immersed in their work that they have little time to consider their social position. These are the true intellectuals. Nevertheless if we are going to radically alter society, it would be futile to substitute the former establishment, ie the land monopolists and their agents, by another lot - in this case the academics and the bureaucrats. That is what happened in Russia when the Bolsheviks took over during the revolution - new controllers in place of old - not a breakaway from slavery. The idea of liberty was entertained for only a short time - between the demise of the old regime and the institution of Bolshevism. Marx's outcry: 'The proletarians have nothing

(13.3). In the social field, however, no one can tell how much harm may come of foolish ideas before their foolishness is finally, it ever, demonstrated, Morris R. Cohen. *The Encyclopedia of Social Science*. 'Method Scientific'.

to lose but their chains!' - was true, but what he did not say was: If they do lose them, they will become enmeshed in another set.

It was unfortunate that the Bolshevik party members, the bureaucrats and academics considered themselves superior people. They may have been superior in certain respects. Individual skills are an advantage to a community, and while some persons have scientific skills, some managerial skills, and others, trade skills, all have something to contribute. We have no reason to say that one section is more important than the rest. Skills should be regarded as contributions to overall well-being.

I think that most academics would be intelligent enough to understand what concerns me here. There is a growing tendency for power to slip into the hands of those we call the educated classes. This is an almost unconscious movement and, unless revealed, we could be into another form of slave society before we knew it.

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All reformers wishing to improve society desire a system in which strife is no more and felicity reigns. This was the common ideal of underworld economists, anarchists, George and Marx, when the last wrote of the state withering away. It was also the vision of St John - that which is called the Millennium.

Marx was a prophet. He was adamant in his predictions. The way was through social strife, from which the proletariat would emerge triumphant. He thought it inevitable. However, there were reformers who were intellectual speculators rather than prophets. While the latter felt sure, the former allowed for more than one possibility and result. These people were persecuted and punished. Many of them were condemned to incarceration and, as a consequence, much material and intellectual advancement was lost.

If we try to predict the future, we must tread warily. It is one thing to know we are on the right road but another to portray the Golden City before we arrive. There will be hazards to meet on the way. Despite this, we are all tempted to describe what is necessary to bring about that which we consider the best social system.

Equitism differs from socialism and monopoly society, in that it allows much more freedom of the individual, and hence a recognition of human rights. Consequently, the individual may reach full development within the limits of equal freedom, and society will be a reflection of that development.

Most people do not require a host of regulations to make them act decently and respect others. It is only when injustice reigns that, in order to survive, they act meanly. So that many regulations are necessary. Some of these are to counteract incongruities that stem from other regulations. Nevertheless, under equitism, advice will still be required to inform the individual of the course to take with actions of an amoral social nature (eg on which side of the road to drive).

Equitism will produce a new kind of person, who, no longer motivated by circumstances to deceive in order to exist in an unjust society, will develop the positive side of his nature - the propensity to act responsibly toward his fellows. Hence, there will be a great reduction in crime. However, it will take the time of one generation, to reduce it to its minimum.

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The contemporary conception of the good life is the success which results in accumulation of property, 'Get wealth,' they say, 'It doesn't matter how - honestly or otherwise - get it.' And so a vicious process takes control of our lives.

Intense desire for wealth and property has its origin in fear of poverty. This is intensified by propaganda which contrasts the extravagant life style of the rich with the miserable condition of the poor. The latter are still present in society. We dread to think that one day we may be as they; so we try to accumulate material possessions to avoid it.

Could we abolish this basic fear, the desire to accumulate property would diminish, and wealth production would be made easier. In our scramble to acquire property, we are apt to rend each other and destroy that which we seek.

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Again, apart from those conservatives who are always against reform, there are decent citizens of low and middle income whose chief desire is to own a home, a farm or a place of business. For some time and in most countries, this has been beyond the bounds of possibility for most people. Owing to land monopoly and taxation, the price of homes has risen too high. The ordinary family is restricted to renting a house or a few rooms.

But up till recently in Australia, that which we call 'home ownership' has been possible for many people. It is known as the great Australian dream. A person or a family with a steady, secure income has been able to purchase a home under mortgage and pay for it after years of scraping and saving. However, even in Australia this is becoming harder to do, as the price of homes is rising beyond payment capacity of most people, and the situation looks like becoming worse. And even if there is a depression and a downturn in the price of homes. It is likely to be temporary, and most people will still not have enough income to purchase a home even at reduced prices.

Again, when a home or a business title is being purchased under mortgage. The purchaser is only the nominal owner. Although this gives the false statistical impression of the number of title owners, the institution that finances the mortgage is the real power. The purchaser has to accept the risk. If personally unlucky, or if a depression develops, he may find himself financially embarrassed and have to relinquish the title, perhaps after years of meeting his commitments.

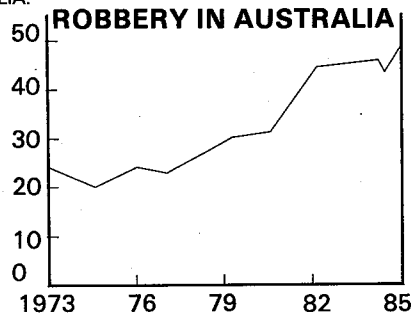
These people have our sympathy. After all, we have to accept the world as we find it. Self preservation is the first law of nature, and it appears to them that and title ownership represents security. Only when they are disillusioned yet continue to advocate private ownership of land that they are against us and out of line with economic justice.

But despite reality, the dream survives, and many young people still entertain the idea that they will live as their fathers - ie in a brick villa on a quarter acre allotment - a place they can call their own.

In a world beset by inflation, unemployment, crime and social insecurity, it is pleasant to dream that we, ourselves, may one day possess a refuge where we sit serene, while the politico-economic store rages around us. But this, even though we already own our home, is fast becoming an illusion.

As time evolves, respect for persons and property is becoming more eroded. Once the home was a refuge where the incumbents could feel safe and secure as far as was possible under temporal existence. Cases of violation were rare. But, as with other crimes, housebreaking increases alarmingly, and burglars become more violent (13.4).

(13.4) ROBBERY IN AUSTRALIA.



SOURCE: Australian Institute of Criminology.

Every day we read of more houses that have been broken into and valuable property stolen. Sometimes inhabitants have been tortured or even murdered in an attempt by the thieves to extract information as to whereabouts of hidden valuables or to destroy witnesses.

The grim irony is that this undesirable predicament may be traced back to an economic situation where injustice exists in the foundation of our society and spreads from there. The right to land is the basic necessity for life itself, and if some exclusively possess the earth's surface, others are denied, because the area of land is limited. And, although the landless may not know the reason why, they feel that society is not justly based. And, as injustice prevails, anything goes, including crime.

When power, which is necessary for governments to maintain order, is used for anti-social purposes, respect for political institutions is lost, and moral rotteness seeps down through the community, leaving behind a trail of crime, a feeling of mistrust in corporate existence and a decline in civilization.

Even though you may attain your dream home, title deeds will not guarantee your safety. Unless you are wealthy enough to retain enough guards to protect your home, you will be the same as most others and be overwhelmed in the flood. Crime is no respecter of persons or of property.

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But there is an alternative. The right to land is a basic right, and, if we each pay the rent of our private landholdings into the national treasury, this right is realized. Hence the basic cause of the injustice is removed. Consequently, there will be no need for taxation. And if the landholder has been modest in his land holdings, the national dividend will compensate mostly, if not wholly, for his rent fee. In fact it could be arranged for him to assign his national dividend to the extent necessary to cover the rent, with any remaining to be paid to him. And, as taxation on building materials is abolished, the cost of building becomes only a fraction of what it was before the reform. Thereby the right to a home is realized.

Small landholders and those who purchase titles for use and not for monopoly or for speculation would be foolish to oppose equitism. Not only would they obstruct the course of justice, but also harm themselves.

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Under equitism, life would have a different meaning for most people. As the struggle for wealth and position became less important, many more than at present would devote their spare time and interest towards other purposes.

The range is enormous. Consider the vast fields of research in medicine, biology, physics, astronomy, to name a few. Each would attract a certain type of person. Others would find interest in art; writing, music, etc. More practical, mundane persons would tend their gardens, invent, invest in other home hobbies, or excel at sport. All the materials needed for these activities would not be taxed and hence cost only a fraction of incomes to what they do at present. Some people would become occupied in charitable work, such as tending the physically sick and helping the mentally handicapped. Others would indulge in such delightful pleasures as reading and bush walking. They would do all these things of their own free-will.

There would be a tendency for individuals with similar interests to come together, as the forces that now hold them apart would be no more. There would be an enormous growth in co-operative communities. Some of which would exist for a specific purpose, as they do today. Many persons would live together under regulations of their own choosing, but with freedom to depart if they wished. But some, because of their independent nature, would prefer to live and operate alone. There would be no compulsion for the decent citizen to follow any particular course or submit to the coercion of power ambitious groups. It would be the free and easy society of Jeremy Bentham.

The growth of co-operatives would mean the end of prejudicial movements such as class hatred, and general denigration of certain types and groups of people by others - the outcome of monopoly society.

In the nascent stage of equitism, there could remain some bitter critics, but they would disappear with time. People would no longer discriminate in terms of occupation, class, colour, religion, sex, or any other form now used by the establishment against the under privileged. People would be socially equal no matter what their colour, trade or creed. There would be no more establishment. And allowing for changes within groups and of minor state regulations, the overall form of society would be decided for all time.

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Returning to our basic contention, life is impossible without land. It always has been and will always be so. Therefore, at base, land economics is not affected by time. Consequently, the institution of the policy advocated in this treatise would result in a flexible society - one that contains within itself a capacity to adjust to change. The only need to debate and legislate would be in minor regulations, such as rules of the road, air, shipping, etc. and the abolition of some rules that have ceased to be of use and become a nuisance.

Another remaining business of politics would be the distribution of national income. I have advocated that half be divided between the public as a national dividend, and half be used for state expenses. Debate on how the latter half should be used, would be a major concern of politics.

Over one hundred years ago, when George wrote *Progress and Poverty*, he gave a warning that a decline in civilization was possible and produced much evidence to support the contention (14.1). Decline would be the result of injustice in our economic and political institutions. He also proposed a remedy which would arrest the trend and create a far better society - one that would be permanent irrespective of the time factor. However, I think he considered the decline to be much closer than it was - just as the early Christians thought that the Kingdom of Heaven was at hand.

Despite ills made manifest by depression, inflation, unemployment, war and social strife, human society has been able to struggle along since George's day. In one respect, these detrimental factors were instrumental in keeping society viable in the long run. Whenever land speculation became rampant, collapse set in and was followed by depression and unemployment, which, together with war and social strife, cleared the market of surplus goods, and allowed the round of business activity, boom and depression, to start up again. But owing to increasing power of industry to produce, the rounds speed up, and also state debts keep on mounting.

After the Second World War, monetary policy has so far prevented sudden, severe collapses such as the Great Depression. However, it has not cured the trouble but only pushed it on ahead and, unless positive steps are taken, eventually an even greater depression and collapse will ensue.

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As mentioned in previous chapters; there are two sets of opposing forces - the pro and anti agents of economics. The first, which constitutes good government, increases the productive powers of an economy. The innate desire of most persons is to invent and to trade, thereby expressing their individuality, and producing specialization, ie the division of labour, and the accumulation of wealth and capital, so that there is a tendency towards increased production. Opposed to this are the anti factors, such as war, depression, addictive drugs, taxation, and land monopoly, which reduce production and divide it unfairly, create injustice, incoherence, discord, and destroying a lot of that which is already produced.

Considering only one set, pro or anti, we come to a conclusion either of boom or of doom. Thinking only in terms of the enormous and increasing powers of material progress, which are still with us, we see a rosy vision of the future - one wrapped in an ever increasing standard of living with progress in the arts and sciences. Viewed from the anti side, we see a trend that threatens to overcome and destroy not only a great civilization but the habitable capacity of the globe.

However, in the present situation, these trends are not independently viable as, in each case, emphasis is on only one set of factors without regard to the other. Both have their effects, so it appears that the answer to the question of whether civilization should advance, or regress, is to be found, from time to time, in the relationship between the two. Regarded this way, social advance will continue as long as the pro forces are greater than the anti. Excluding certain retrogressive periods, this has been so in our civilization. However both trends are growing and, on the first look, it depends on which grows the fastest. If the rate of crime growth and other anti-influences, such as environmental deterioration and political mismanagement, exceeds that of production, it is only a matter of time before the former overcomes the latter, and civilization is on the way out.

(14.1) See *Progress and Poverty*, 'Book 10'. Robert Shalkenback Foundation: New York, 1971.

As material invention proceeds into the future, unless it is accompanied by a sense of social responsibility, the discrepancy will grow, thus forcing society further and further out of balance, so that, if and when the great crash comes, it will be all the more severe. The higher you go, the farther you fall. And with every new invention the greater the discrepancy becomes and hence the risk. Consequently, considering today's society, material inventions are not doing it any good. We have reached a stage when the necessity for social reform is most urgent and should take precedence over everything else.

The predicament has become too serious for soft-peddling. It can only be rectified by bolding hitting at the base - by destroying private land monopoly. In other words, by using ground rent for revenue and abolishing taxation.

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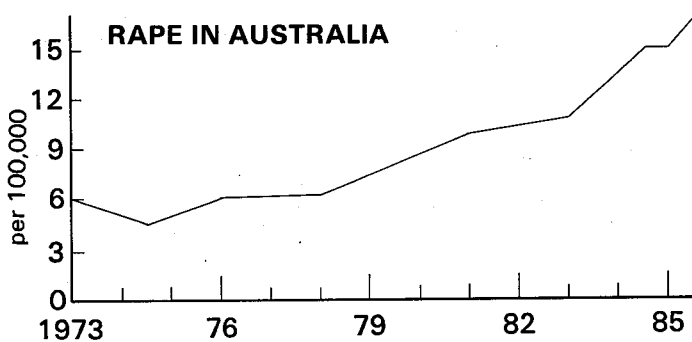
Of course, some anti social forces have always been with us and exerting various pressures which have been and are stronger in some times and places than in others, so determining a difference in quality of life. History has demonstrated how some states, such as Sparta, Rome, Russia and China have succumbed to internal injustice and strife.

Anti forces are growing at such a rate that, if present trends continue, they will overcome pro forces and we shall share a like fate to the above or become as dead as the dinosaur and the dodo.

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Perhaps civilization will collapse before the anti overcome the pro forces. Perhaps some of the dissidents, such as those unemployed who have a lot of unused energy, will use it in demolishing society. In these and other respects, the power to control the earth may be used in reverse - for destruction as well as advance. The danger is there and is growing. whoever seeks evidence will not have far to look, for crime such as drug running, robbery with violence, arson, fraud, rape, torture and corruption in high places, is increasing at an alarming rate (14.2).

(14.2) RAPE IN AUSTRALIA.



SOURCE: Australian Institute of Criminology.

However, anti-forces could prevail, and unsatisfactory conditions continue for some time. This may occur where a strong antisocial government remains in power by false propaganda or by ruthless force, imposing its will upon the populace, even though the latter would be well rid of such a state. To the intelligent, freedom-loving citizen, this sort of society would be as vile prison.

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Equitism is not likely to take over from monopoly society or from socialism, except where an economy is in a very bad way. Most people will not try a new form unless the old has reached such a condition, with exploitation and persecution of the masses, that anything else seems preferable.

By the time the new-comers take over, conditions will have deteriorated to intolerable levels. Hence the new order will inherit a chaotic situation - a society bound down by petty, irksome and unnecessary statutes, a poor schedule of production, unemployment, want, discontent and a mountain of debt.

During the takeover and for some time after, the new society would be assailed by critics and reactionary forces. The deposed establishment would, most likely, try any way calculated to regain power. At first it could consist wholly of propaganda, as was used in Denmark in the 1960s. If this failed, more drastic forms could be tried, such as civil disobedience or even counter revolution. There is no method too drastic or too abominable.

Consequently, to have the force necessary for success, the new society must be supported by enough enthusiasts to keep it viable.

Although the existing establishment upholds convention and constitutional control, and regards any attempt at radical reform, particularly revolution, with abhorrence, it is likely to rush to the gun-rack the moment its own power and position is threatened and defend its privileges in the name of God or of civilization. For examples: Spain in 1936 and Fiji in 1987. Consequently the challenge to the new equity society in its weak, nascent form, would be enormous. Unless its followers are willing, numerous and wise enough to counteract reaction they would soon be overthrown.

In this predicament, equitists could find a physical revolution on their hands whether they liked it or not, so making it much harder for the new society to succeed. Consequently, while equitism is consolidating, its fervent disciples must be amenable to party discipline in order to counteract the opposition. Adoption of this regimentation should be of their own individual choice but necessary if equitism is to succeed.

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Many previous civilizations succumbed to foreign barbarians. During George's day, there was a popular opinion that this could not happen to the then prevailing society, as there were no more barbarians, or at most, only a few - not enough to be of consequence.

George examined the idea in *Progress and Poverty*. He posed the question, 'Whence shall come the new barbarians?' and gave the answer, 'Go through the squalid quarters of great cities, and you may see, even now, their gathering hordes...And invention has given us, not merely the steam engine and the printing press, but petroleum, nitro glycerine and dynamite' (14.3).

Nevertheless, despite evidence to the contrary, faith in progress is still very strong, and the factors of decline are taken only as an incidental nuisance that could be overcome by more-stringent statutes. But these would increase state power and accelerate the decline. And the more government we have the greater the field for corruption. However, there are those who view the future with apprehension. Some of them would do something worthwhile about it and therefore are the hope of humanity.

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(14.3) *Progress and Poverty*; p 538. Robert Shalkenbach Foundation: New York, 1971.

Among the attributes of civilization, are religion and art. If we take the Enlightenment as our example, religion was the foremost component to break away from the old crystalized feudal system. The lollards or poor priest carried the new conceptions of individual rights and equality throughout Western Europe, thus creating the Reformation. Later, artists were associated with the Renaissance, which challenged old conceptions of art and produced a new and vigorous style and a variety of forms.

Today, religious belief has degenerated, and all sorts of queer religions flourish along with a decrease in the number of adherents to the older and more stable sects.

Art, concerned with appearance, is the mirror reflection of society; it accompanies social change. Through art, we are able to depict the state of society at any particular time. Pure art gives the picture but makes no comment; philosophy does that. Therefore the continuous picture of history - the rise and fall of empires and civilizations - may be traced by studying the art style from time to time. When a civilization grows, its art style improves with it. The Enlightenment produced such geniuses as Leonardo da Vinci and Michelangelo.

With growth of civilization, each of its factors became divided into a number of departments. Within art, we find painting, music, sculpture, literature, etc. While art generally rises and falls along with civilization, specific forms may reach their peak at different times.

George discussed this in *Progress and Poverty*, Book 10. He came to the conclusion that a decline in art is evidence of a decline in civilization. But the decadence is so subtle as to render most people unaware of it. They think the new style better than the old. Second rate takes precedence over first rate (14.3). Evidence is there for those who care to seek.

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However, religion and art and not the only attributes of civilization, I have placed them in this order: religion, art, philosophy, science and material invention, followed by others of less importance. Religion is first, art follows. But art leaves definite imprints from which we may judge periods of history. Many examples of painting, writing and other forms of art, reflecting different periods, are still with us. Evidences of the art of ancient empires remain preserved in statues, shards, stelae and ruins of buildings. Examples of writing forms, such as cuniform, parchment scrolls, pictures and rock carvings, have been preserved. With religion, traces are not so evident, although we know that religion alters according to the social pattern.

The other factors of civilization, such as philosophy, science and material invention, develop and decline at later dates to the above and reach their cusp at different times. Today, religion and art are declining and are being followed by a decline in philosophy. Science and material invention are still advancing, thus widening the gap between these two groups of factors, and giving the false impression that all is well.

But let us concentrate on art. The various components are: painting, sculpture, music, literature, architecture, ceramics and minor types. They are all declining, and that which is popular amongst them tends to be second rate, so producing evidence of the decline.

Consider literature. The tests to literary excellence are: clear and concise writing and blending of words, phrases and paragraphs, which create euphony and economy in word use. Skill in delineation builds a literary work into a comprehensive whole. It should engender thought and encourage the reader to read further with interest and enjoyment. The form, thought of by many critics as good reading today, is a verbose, clumsy, padded-out style that starts nowhere, ends nowhere and with nothing in between. The work of inferior thinkers, and writing that fits George's description of vapid, puerile and stilted.

(14.3) For instance, there is an enormous difference between Grecian art of the classical period and that of the lower empire; yet the change was accompanied, or rather caused by a change of taste. The artists who most quickly followed this change of taste were in their day regarded as the superior artists. And so to literature. As it became vapid, puerile, and stilted, it would be in obedience to an altered taste, which would regard its increasing weakness as increasing strength and beauty. The really good writer would not find readers; he would be regarded as rude, dry, or dull.

Henry George, *Progress and Poverty*, p 539, Robert Shalkenbach Foundation: New York, 1971.

With painting, the painstaking skills of the last century and the early part of this, although still present, are considered inferior, and jumbled art - a chaos of figures, shapes and colour - takes precedence as evidence of genius.

Classical music arose to its greatest heights during the nineteenth century and the first third of the twentieth. After that, it was definitely declining. Consequently, anyone seeking the best music turns to the past - to Beethoven, Brahms, Bach, Mozart, Liszt and others of that time - a time when civilization was on the way up.

Sculpture is marked with the same brand as the others. The beautifully blended forms and figures - the work of the masters of painstaking care and craftsmanship - we associate with past times. The prevailing style is a conglomeration of shapes and monstrosities - the work of the degenerate and the impostors. There is nothing of skill. Any deranged mind could produce such aesthetic abortions. However they give a message to those who would read - a message of decline.

In the distant future, art critics, if there are any, will consider the present period (the latter half of the twentieth century) as one of down-going, whose main claim to fame was the production of shoddy. Today, all forms of modern art reveal a society in state of chaos.

Philosophy is also degenerating. In our seminars there is a strong influence of the omnipotent state theory which, after disastrous expeditions of war and socialist revolution, has surfaced under the name of the romantic movement, in which the state appears as my lady bountiful. But this is only a subterfuge employed to trap the unwary. Once having gained power, might and the worship of the establishment supersedes right. Even in those countries where some individualism still remains, there is gradual encroachment of this vile sophistry.

Science, which in chronological order follows philosophy, still advances and so does material invention. But as we enter the future, we may expect degeneration in these also.

Those of us who are getting on in years and are still of flexible mind, have lived to see these changes taking place. We, as students of history, have been privileged to observe a whole civilization with its attributes, reach its cusp and then begin on the downward path. As civilization is composed of many facets, it would be difficult to say exactly when it reached its zenith. But as an experienced guess, I think it would be in the late nineteen-sixties. Regarded comparatively from two positions in time, the factors constituting progress, were rising early in this century, but by the nineties, anti forces prevailed. The peak is somewhere in between.

We do not know how far the social condition will slip before it is arrested. But, being aware of the decline, means that we may endeavour to do something about arresting it.

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My appeal is to youth, and I would call upon the young to assemble and start moving against the forces that plague civilization - to propagate truth in face of falsehood. The future lies in your hands, and the reward yours and posterity's. I am now old, but the experience of a lifetime is still with me, and I have seen much of the development depicted in this book. If the knowledge gained remained with me, it would be of little value, and a pity to take to the grave, unused. If you want it, it is yours. Such knowledge is what Richard Dawkins calls the 'meams' - something that may be passed on, not through spontaneous heredity, but through conscious communication.

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Today there are those, particularly the young, who are dissatisfied, even disgusted, with society and would seek a change to something better and more in line with human nature. The hope of humanity, most of them do not know how to go about their quest or how the result would appear. This treatise should be of help. However, the present establishment are not likely to give up their privileges without a struggle. So I cannot promise an easy acceptance of the new ideas. But I can show you how to use your energy for the greatest cause, and that will give you something worthwhile doing. It should put purpose into your life and divert you from wasting it. You will have a reason for living, which at present, many of you have not. It will bring order out of chaos to your minds.

If this appeals to you, you will need self discipline to give your best to the cause. Scepticism, frustration and despair, which are so prevalent today, and their outcomes - drug addiction, excessive drinking, smoking, and uncontrolled violence, are evidence of a declining society. They also sap the mental vigour and bodily strength of those who use them, and control their aspirations.

Life should hold more than this, and here is a cause to demonstrate it. The greatest work we may do is the elevation of society and emancipation of humanity.

It would be a pity to see all the effort and travail that has gone into building up the most advanced civilization in history, being overcome by anti forces. Try to prevent it.

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I shall conclude with George's words which appear on his gravestone in the Greenwood Cemetery, New York.

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The truth 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 never would have been obscured. But it will find friends - those who will toil for it, suffer for it and, if need be, die for it. This is the power of truth.

POSTSCRIPT AND ADDRESSES

This book should be regarded as a supplement to *Progress and Poverty*. It brings George's work up to date. For me to have independently and comprehensively treated the land, taxation and trade questions would have been ludicrous. He did the job so well.

If you wish to pursue the matters discussed in this book. I would advise you to read *Progress and Poverty*. It is in most university libraries, and there are seventy Georgist organizations throughout the world, where it should be obtainable, or advice given as to where it may be obtained. I shall list twenty-one of them; this should be enough. They are:

ARGENTINA:

Instituto de Capacitacion Economica (ICE), Avada Corrientes, 1386, piso 7 oficinas 704, (1361) Buenos Aires. Ph. 45-5089.

AUSTRALIA AND NEW ZEALAND:

New South Wales:

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