

Good Government

A JOURNAL OF POLITICAL, SOCIAL
AND ECONOMIC
COMMENT

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THIS ISSUE:

- ARE WE MARXIAN NOW?
- REFORMING PARLIAMENTARY DEMOCRACY
- DEVELOPMENT OF THE POOR THROUGH THE
CIVILISING OF THE RICH

FEBRUARY, 1973

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PRINCIPLES OF GOOD GOVERNMENT

GOOD GOVERNMENT RESTS ON THESE FOUNDATIONS:

1. An enlightened electorate,
2. A democratic system of representation,
3. Recognition that its primary function is the maintenance of peace and justice,
4. Non-interference in trade or commerce, either national or international, or in the private transactions of its electors save only as these threaten peace and justice, and
5. A democratically controlled and just revenue.

In order to achieve the ideal of Good Government, it is essential that these basic requirements be met:

An enlightened electorate by sound education in the economic facts of life;

A democratic system of representation by the adoption of proportional representation in multi-seat electorates and simplified provisions for the referendum, initiative and recall;

Recognition of the true functions of government—the maintenance of peace and justice—by the withdrawal of government agencies from all other activities, especially in the spheres of trade, industry and monetary control;

A democratically controlled and just revenue by the collection of all site rents by governments as their sole and proper revenue and the abolition of all taxes, tariffs and unjust privileges of every description.

GOOD GOVERNMENT

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

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GOOD GOVERNMENT

WHO OWNS AUSTRALIA?

There is considerable clamour for some action to prevent the foreign takeover and to limit the extent of foreign holdings in Australian companies.

The news items are emotional and sensational. A little reflection on the matter indicates that the issues have not been clearly thought out.

Is such restrictive action necessary? Will it be effective? What do we hope to avoid?

Treating the last question first we are afraid probably that the foreign interests will drain off millions of dollars of Australian wealth for the benefit of shareholders in America or Britain or some other country and in so doing take something that rightly belongs in Australia to the Australian people. We know instinctively that such a situation is not right without a crystal clear understanding why.

Who owns Australia is largely a matter of rights. If anyone has any rights at all who has a right to what? Does everyone have equality of rights? All must agree that each individual has the right to live and that no one does not have that right. We must then consider what is necessary to life. Mother nature has provided an abundance of the materials and forces which adequately support life. The door to mother nature's storehouse is land. The equal right to live means equal right of access to the land. Without access to the necessary elements man cannot live. Equal rights do not prevail where *some* control the materials and forces from which *all* must live.

The earth is an entailed estate by a deed written into the constitution of nature, a deed which no human proceedings can alter. It is entailed upon all the generations of the children of men; an inheritance determined by a fixed and unalterable succession of heirs. Each succeeding generation has but a kenney for life. We may admit that a man may strike away his own natural rights but not the rights of his successors.

Private ownership by some of that from which all must live is not equitable. It is not possible to divide the land equally to give each family or individual an equal share. It is *possible* to divide the rent of land equally or apply it to purposes of common benefit.

By right then the people who live here, the residents, own Australia and further, the fees about foreign ownership also apply validly to local ownership. "For if the butter and eggs, the pigs and poultry must be taken from the Irish peasant and exported to pay for his landlord's wine and cigars, what difference does it make to him where the wine is drunk or the cigars are smoked?" (Henry George: The Land Question, chapter one). Foreign and local ownership constitute the same danger to the rights of the residents so legislation to limit the extent of foreign ownership only treats one part of the symptoms of the trouble without getting at the cause at all).

The major requirements to restore and preserve the equality of rights of the residents of Australia is that all land users must compensate annually the rest of the community for the advantages and benefits enjoyed in the occupation of each and every site except where the sites are marginal and there is no competition to occupy such sites. The application of this fund of compensation to purposes of common benefit will ensure equality of ownership of Australia by the rightful

owners the residents, regardless of who owns the business enterprise.

The state must collect on behalf of the community the compensation offered by the individual and corporate occupiers of all other than marginal sites and dispose of this fund according to the wishes of the community.

A. FERRISS

HOW PR WOULD HAVE CHANGED ELECTION RESULT

By TONY MAIDEN

Despite the drop in total DLP vote at the general elections, the party would have got one member into the House of Representatives under proportional representation.

Also, the Liberal Party would have retained two Tasmanian members. Under the existing voting system, it has none.

And, based on figures available at the close of counting on election night, the ALP would have a majority of 10 with 66 seats, as against the Liberals' 46 and the Country Party's 10.

The society—which claims to have about 500 members and has been arguing the case for PR for over 40 years—issued the analysis yesterday.

It is based on a restructuring of existing electorates into 31 multi-member electorates, and the election of members upon quota, as used for the Senate and Tasmanian State elections.

Under this quota preferential method of PR (which distinguishes it, according to the society, from more dubious forms of PR such as the European list-system) the ALP would have returned 16 members in Victoria, 25 in NSW, two in Tasmania, 10 in Queensland, five in Western Australia and seven in South Australia.

The Country Party would have returned five members in NSW, three in Victoria and two in Queensland, while the Liberals' 46 would have come from 14 in Victoria, 15 in NSW, two in Tasmania, six in Queensland, four in WA, and five in SA.

The DLP's sole member would have come from Victoria and, more specifically, from the multi-member electorate comprising Labor, Gellibrand, Maribyrnong, Burke, Wills, Scullin and Melbourne.

This electorate would be entitled to seven members under the quota-preferential system—and would have returned four ALP members and two Liberals.

The society says that the DLP's combined vote in this "electorate" of 36,953 at the close of counting on election day would almost certainly have entitled it to the remaining seat.

The quota would have been 42,765 votes—which the DLP could reasonably be expected to meet following allocation of preferences.

Much would depend, of course, on the structure of the multi-member seats, the society admits.

On a national basis, the ALP earned only 63 seats under the method but won 66 in the society's analysis.

Similarly, the Liberals would be entitled to only 41 seats on a national basis, though the Country Party's representation would be unchanged at 10.

The DLP, on the other hand, "earned" sufficient votes nationally to have six seats, and the Australian Party "earned" three seats.

But as the society grouped the electorates, these entitlements were sufficiently strong in only the one Victoria region to meet the quota level.

The secretary of the society, the Proportional Representation Society of Victoria, Mr. A. Halkyard, said that the probable result by quota preferential counting was still "much fatter" both in overall representation and local representation than the probable result by majority-preferential counting.

(Reproduced from *Australian Financial Review*, Dec. 5).

FIRST PAST THE POST IN NEW ZEALAND

Sir,

The alleged admiration of certain politicians for first-past-the-post might well if the figures of the results in the last general elections in New Zealand are studied. Here are the latest figures (possibly very slightly modified by final figures).

	VOTES (Thousands)	PERCENTAGE OF VOTES	SEATS ENTITLED	SEATS WON
Labour	622	48.18	42.2	56
National	582	11.45	96.1	31
Social Credit	86	6.72	5.8	0
Others	28	3.55	2.9	0
	1060.00		87	87

	1969 ELECTIONS PERCENTAGE OF VOTES	SEATS ENTITLED	SEATS WON
Labour	41	37	40
National	45	38	14
Social Credit	9	7	0
Others	2	2	0
	100	84	84

"EQUALITY" OF VOTES
In the 1972 Election, the following votes were required to elect a member:

Labour	11118
National	17170
Social Credit	86171 elected nobody
Others	23652 elected nobody

SWING

Labour gained 4.48 per cent of the votes, and a swing of 16 seats (over 18 per cent). Liberals lost 3.55 per cent of the votes, and a swing of 13 seats (15 per cent).

The inequity of this system is apparent, and the unbalanced unseating of experienced members is also apparent.

First-past-the-post in other places, such as Britain, and South Africa, and in the past in Australia, has often produced even worse results than in New Zealand.

It is not possible to have electoral justice in single-member electorates, although preferential voting reduces the degree of injustice. Proportional voting which changes the basis of election from a majority to a quota, will remove both these basically objectionable features.

W. A. DOWE,
Lakemba.

PSEUDO RIGHTS & RIGHTS

By JOHN D. LINDL

Congress has been working on a welfare reform bill, The Family Assistance Plan, for two years now. What is the nature of this bill? If it is approved, Congress will have declared its intention to guarantee to every American the "right" to a minimum yearly income. As such it merely represents a logical extension of recent trends of the sixties which has seen a proliferation of "rights"—rights to health care, education, housing, jobs, and food. The only difference between this and other measures that have been enacted is its scope and potential for expansion. But bills enacted in the late sixties were more expensive than those of the early sixties, and so forth. As such, this is just a continuing trend too. All of these bills are of a single nature and must be analysed as such.

Their common denominator is the "rights" they declare, a strange set of rights, indeed. Despite the rhetoric of proponents who claim these are rights guaranteed to every American, they quite obviously are not. If every American quit working, there would be no goods to satisfy their claim for these rights. So these bills in effect provide goods and services to those who have not provided for themselves, at the expense of those who have. A "right" of one person that can only be satisfied at the expense of another is obviously no right at all. It is a decree that sets up two classes of people, those served, and those required to serve. The proliferation of such laws is one of the most dangerous developments in recent U.S. political history.

A primary right must always be a right to action, not to goods as such. All goods must be produced by prior actions and hence are already someone's rightful property. The right to act implicitly includes the responsibility for the consequences of one's action and the right to the use and disposal of the products of one's action. The rights of the American Constitution are all proper rights to action. But the very principle of these rights has been undermined by the growth of belief in various pseudo-rights.

The Nature of Rights

Rights reside in individuals. There is no such thing as group rights except as they are an extension of individual rights. A political right which is not possessed by every individual, regardless of his membership in a group, is merely a license for a particular group to exploit others not in the group. For example, consider "Welfare Rights." This is generally taken to mean the right to the means for a certain level of existence. Is this a right, universally applicable to all? Could we guarantee to everyone the right to a minimum subsistence without imposing on some group the responsibility of providing that subsistence? Clearly not. This is the test to distinguish between a genuine and a bogus right. If it applies equally to all, at the expense of no one in particular, it is a genuine right. If some one group benefits while another foots the bill, it is a counterfeit.

(With acknowledgments to **The Freeman**, Feb., '72)

THOMAS COOPER: EARLY LIBERTARIAN
By OSCAR W. COOLEY, Associate Professor of Economics, Ohio Northern University).

Twenty years before Frederic Bastiat wrote his parable of the broken window, Thomas Cooper was saying to his students at South Carolina College (now University of South Carolina):

"Suppose a tailor to get into a law suit and to pay a lawyer fifty dollars for successfully conducting his cause—or to break his leg and pay a surgeon fifty dollars for setting it; these payments are prudent, and the services rendered fully justify them; but is he the richer for these misfortunes? Even though the lawyer and the surgeon should lay out the fifty dollars with him for a suit of clothes, it is no compensation, for he furnishes the clothes after having furnished also the money that pays for them. It is melancholy to think that these positions should require to be gravely argued, but the present state of public opinion requires it."

Born in London and educated at Oxford, Cooper emigrated to the United States in 1793. A man of strong opinions, he expressed himself freely on current public questions and was so critical of the Adams Administration that he was arrested and tried under the Sedition Act (the Alien and Sedition acts are usually bracketed together). Cooper believed the act was unconstitutional, and the court so held. He later wrote a book on freedom of speech.

Cooper practiced law in Pennsylvania and became a judge. On recommendation of Thomas Jefferson, he was appointed professor of natural science and law at the University of Virginia. From there he went to South Carolina College, where he taught chemistry and political economy. A man of parts, he was made president of the institution, a post he held for 12 years.

Champion of Free Trade

While head of South Carolina College, Cooper published his *Lectures on the Elements of Political Economy*, a comprehensive treatise expounding the classical economies in a forthright manner. With especial vehemence, he championed free trade. One can imagine this did not detract from his popularity in a state that put great store upon the export of cotton to Great Britain and the import therefrom of manufactured goods. Indeed Cooper appears to have been hardly less influential than John C. Calhoun in egging on the South Carolinians to declare, in 1832, that the Federal tariff laws were null and void in their state. On the basis of the theory of state nullification, the doctrine of interposition has been put forward in recent years by Southerners who resented Washington's efforts to enforce racial integration.

For the most part, Cooper took his economics straight from Adam Smith. The private enterpriser knows best—far better than any government official—how to use his resources. Let self-interest reign. "If every man in the country trades beneficially for himself, he trades beneficially for the community, which does not exist independently of the individuals who compose it."

Governments should be kept small. "The dreadful evil of all governments (I wish I could except our own) is the evil of governing too much."

All laws, suggested Cooper, should be reconsidered every ten years and, if found unnecessary, repealed. This recalls Jefferson's proposal that the Constitution should be reconsidered and overhauled every 20 years. Cooper warned especially of the "general welfare" clause of the Constitution: "There is no tyranny that it will not authorize."

But it is against government strictures on foreign trade that he waxed most eloquent. "Shallow politicians have . . . acted on the shop-keeping maxim that what one nation gains by commerce, some other loses. The fact is otherwise: each gets its wants supplied and both are gainers."

He attacked the "infant industry" argument for protective tariffs, saying that this theory seeks to justify injuring consumers in the present for the hypothetical benefit of producers that might be employed by the protected industry in future.

Friedrich List, then sojourning in America, took critical notice of Cooper and his free trade opinions, implying that he was little less than an anarchist. List himself, it will be remembered, was an early promoter of the customs union which established free trade between the German states—but definitely not with the outside world.

Champion of Foreign Trade

Cooper felt that even Adam Smith had conceived too much to the protectionists. Smith had held that it might be advisable to protect an industry whose product promised to be of strategic importance in war. Cooper held that such products would be wanting for they would be stockpiled by a provident government, and in any case, wars seldom if ever completely isolated a country from foreign sources of strategic goods.

The great service of the science of Political Economy, he said, was to teach the importance of free world trade. The following are hardly the words of an anarchist:

"If Political Economy had rendered no other service to mankind than to make them just and reasonable in this respect (in respect to foreign trade), it would be of incalculable benefit. It has taught us that human improvement and national prosperity are not promoted in any particular nation by depressing every other but by aiding, encouraging, and promoting the welfare of every nation around us; that we are all in turn consumers to each other, and that no man or nation can become wealthy by impoverishing his customers; (that) the richer other nations are, the more they are enabled to purchase, the cheaper they can afford to sell, the more improved they become in all the arts of living, in all intellectual acquirement, in everything desirable for other nations to imitate or improve upon; that if other nations become powerful by our assistance, we also of necessity become wealthy and powerful by our intercourse with them; and that peace and good neighbourhoods are the means of mutual happiness among nations as among individuals. . . ."

In the *Lectures* Cooper ranged over the whole area of economic theory. On many facets of the subject, he was far ahead of his time. For example, cost of production, he said, does not determine value of a product. It must be in demand. "No purchaser cares a cent what the prime cost of an article is; that is not his lookout. His only enquiry can be, is it worth to me the

price asked for it?"

He admitted that the introduction of machines might create unemployment but it would be temporary. (He was, of course, assuming a free labour market). When printing presses were first put into operation in Paris, he said, 6,000 copyists lost their jobs, but "in Paris there are now 600,000 persons who live by printing."

He attacked the policy of empowering corporations with limited liability, holding that since the stockholders are allowed to enjoy unlimited profit, they should also endure whatever losses may be incurred.

Champion of Private Spending Rather Than Government Spending

There were rudiments of a welfare state even then, but Cooper would have none of it. "All relief to persons in this country able to work is absolutely indefensible and wrong," he said. "Even cases of disability should be left to private charity. . . ." To combat poverty, he urged the "modern remedy of Savings Banks," and suggested that the clergy teach people to save and accumulate deposits in such banks. He was, perhaps, aware that the first savings bank in the British Isles had been established by a Scottish dominie and that the first such banks in the United States were founded not for profit, but for a charitable purpose.

He condemned Sir Robert Peel's suggestion that a national debt might be a "national blessing" (Alexander Hamilton had averred as much) and argued that there was no merit in government spending as compared with private spending. To the extent that spending benefited the spender, it benefited society.

However, he was not averse to all public works. Whether government should undertake a public work or not, he held, depends on how great a public benefit it is and whether it is too costly for individuals. Then follows a statement which showed that he was quite familiar with the principle of cost-benefit analysis. "The guiding rule ought to be that an undertaking which is not likely at an early period of its completion to insure at least legal interest upon the capital expended after all deduction is not deserving of public encouragement. I think many of our canal schemes liable to this objection. Money can be hid out so as to produce this return. It is therefore misapplied when it does not. Wait until it will."

Lawyer, chemist, political philosopher, the versatile Cooper was pre-eminently an economist. He saw the importance of "political economy" in determining the course of this country's history. Written at a time when texts in that subject were few, his *Lectures* must have made considerable impress on American thinking.

John Adams described him as "a learned, ingenious, scientific and talented mancap." Certainly he was outspoken. "Orthodox utterances regarding religion are said to have brought about an end to his career" at South Carolina College. He died in 1839.

All quotations in this article are from the *Lectures* (1826) (From *The Freeman*, March, '71)



REFORMING PARLIAMENTARY DEMOCRACY

E. P. MIDDLETON reviews A. E. Mander's new book 'OUR SHAM DEMOCRACY'¹ and finds it bristling with new and novel ideas for the attainment of the ideal machinery of government.

- A society in which the governing body (parliament) is freely chosen by majority-vote in secret ballot, and is subject to re-election at intervals of not more than two or three years.
- The executive government (the ministry) must be directly responsible to parliament, from which it derives its authority and to which it is entirely subject.
- The franchise must be the right of every citizen who possesses such personal qualifications as are regarded as normal among the people of that country at that time. (But this does not imply that every person who is entitled to vote must be compelled to do so.)
- Reliable news and other factual information on all subjects of public concern must be readily available to the public. Such information must never be suppressed, distorted, over-emphasised, played down, slanted, or mixed with comment — to suit government, or to suit any political party, or any financial, commercial, industrial, religious, or other sectional interest in the community.
- On every public question with political significance, both sides (regardless of their ability to pay for it) must enjoy equal opportunities of putting their case before the public.
- Every citizen must enjoy a right to express his opinion, and the grounds for such opinion, on any subject whatsoever.

Having given the foregoing eleven points as his composite definition of a true political democracy, Mr. Mander devotes the rest of his admirable little book to showing how much the typical western-style parliamentary democracy departs from his conception of the ideal.

MYTHS AND CLICHES

In the process, he does a very creditable job of exposing the faults in the pillars of our society and profiers some ingenious ideas for bringing it more into line with that ideal. In the process, also, he throws some clear light on old myths and cliches, as in, for instance his chapters on 'equity' and 'rights'. And his discussion of the theory of 'majority rule' and of the rights of minorities is as refreshing as it is on target ("It can scarcely be contended that a mere aggregation of numbers represents an aggregation of wisdom, of knowledge, of intelligence or of concern for the public welfare."). Indeed, he has some interesting points to make on the notorious lack of tolerance of the (in the well-published Nixon cliché) 'Great Silent Majority'; and he is caustic, as well as commonsensical, about 'public opinion', or, as he prefers to call it, 'public sentiment'.

- Every group or section of the people, and likewise the representatives of any commercial, industrial, professional, labour, or other sectional interest or concern, must have the right to state a case or make a request — publicly but not privately or secretly — to the government.
- All proceedings of parliament must be public. And parliamentary procedures must be such as to encourage members — after hearing the facts and arguments on both sides fairly presented and discussed — to vote each according to his own personal judgment.
- Parliament must be the supreme authority in the nation. Its decision must be final and not subject to being overruled by any court-of-law, or by any other institution, or by any person or section of the community.
- All information available to the government on any subject (except only information which could be useful to a foreign enemy in case of war, and information concerning the private life of a citizen) must be available to parliament.
- Finally it is essential that a substantial proportion of the electors shall be educated, actively interested in matters of public importance, and imbued with a sense of real and significant participation in the nation's political life.

On the subject of the parliamentary representative, Mr. Mander considers such questions as personal qualities ('The Right Man'), election campaigns ('television charisma') and the use of 'senate' publicity. While, in discussing types of government alternative to democracy, he shows how circumstances must govern the choice, and he accepts the pragmatism behind the one-party government idea in countries still bound to, or only emerging from, a tradition of tribalism. On the other hand, in observing what he describes as "our present form of partial political democracy, of democracy mixed with other elements which largely nullify it", we recognise, he says, all its crudities, its absurdities, its vulgarities, and its means of securing good government. "Yet it does possess," he goes on, "characteristics which, over the long run, provide the best available safeguard against stagnation, corruption, oppression, and above all against the permanent entrenchment in power of a privileged group or class caring only for its own interests."

ABOLITION OF COMPULSORY VOTING

When it comes to suggested reforms to bring our 'sham democracies' nearer to the ideal, the author has some novel and interesting proposals to offer. First on

the list, it is good to note, is the abolition of compulsory enrolment and compulsory voting, one effect of which, as he points out, would be to drastically reduce the costly and wasteful spate of electromechanical juries and to alter the nature of its appeal from concern for the lowest common denominator to that of the intelligent voter (he would also abolish "how to vote" cards). Next he would deny political parties the right to determine (pre-selection) who the candidate is to be for a given electorate. And the way in which he would do this comprises his most novel suggestion, described in his chapter 16 'A New System of Voting'.

This is based on the concept of the traditional parliamentary system common to such countries as Britain, Canada, Australia and New Zealand, comprising a House divided on the basis of Government and Opposition sides. With the difference, however, that either side of the House could consist of the representatives of any number of parties reflecting electoral opinion but united on the single principle of support for or opposition to the existing government. All such representatives would vote freely on all issues before them, unshackled by party discipline, bound only by their essential support for or opposition to the government on actual votes of confidence, defeat in which would be the sole justification for the government's resignation. To elect such a parliament, Mr. Mander proposes a new, simplified ballot paper.

NEW BALLOT PAPER

Mark X in the square opposite the one candidate for whom you wish to vote

(G)	To retain the present Government in office	(O)	To replace the present Government by the Official Opposition
JONES, A.	<input type="checkbox"/>	WILLIAMSON, G.	<input type="checkbox"/>
SMITH, B.	<input type="checkbox"/>	PETERS, H.	<input type="checkbox"/>
ROBINSON, C.	<input type="checkbox"/>	HARRISON, I.	<input type="checkbox"/>
MARTIN, D.	<input type="checkbox"/>	NEWMAN, J.	<input type="checkbox"/>
WILLIAMS, E.	<input type="checkbox"/>	FORDSON, K.	<input type="checkbox"/>
NOTT, F.	<input type="checkbox"/>		

"For the first time in the history of democracy" he claims "this new form of ballot paper would enable each elector to choose, from either side, the particular candidate whose views seemed most nearly to coincide with his own. Within the broad grouping of pro-government and pro-alternative government candidates, he could vote for the particular personality, the particular shade of outlook, the special interest or item of policy he desired to have represented in parliament. And, surely, with this small change in the method of voting and counting votes, it would be a very big step towards the attainment of a genuine political democracy."

REFORMING THE SENATE

One of the more controversial ideas offered is that the concept of the 'good local member' is wrong. In fact, he describes it as "one of the symptoms of sickness in our present-day parliament" and he presents strong argument in support of its elimination in favour of the concept of the representative as primarily a part of the government, or of the opposition, as the case may be, with his main responsibility the consideration of major public issues.

Mr. Mander also has an intriguing proposal for reforming the Australian Senate, or any Second Chamber, by introducing representation on the basis of the support of a registered group or organisation, other

than a political party; a proposition well worth serious consideration.

P.R. OVERLOOKED

In the opinion of this reviewer, the book has one major fault, one, however, which does not by any means destroy its very considerable contribution to political science: this is that it fails to discuss, even to mention, the system of election known as the Single Transferable Vote (Proportional Representation), which, if instituted, would solve the author's major problem of 'wasted votes' and make unnecessary some of his proposals for achieving the ends of good government. The Proportional Representation Society of N.S.W. might fruitfully take up this issue with Mr. Mander, to their mutual benefit.

This is not to say that Mr. Mander has not rendered a genuine public service by thus presenting his arguments for a true political democracy in such clear, succinct and persuasive language.

*OLR SHAM DEMOCRACY, by A. E. Mander. Alpha Books, Sydney, 1971.

OFF THE BEATEN TRACK

LEONARD E. READ

I have long been intrigued by the seeming paradox that the more one knows the more he knows he does not know. This is another way of saying that every gain in knowledge increasingly exposes one to the infinite unknown.

Another aspect of this intriguing paradox: as a person grows in knowledge he is exposed to a new set of friends—and almost certainly faces a dwindling number of old friends. There are many ways to lose friends, of course, but what I am suggesting is that a dwindling audience is *not necessarily* a sign of failure; on the contrary, it may signify personal progress. This is the point I would like to explore.

Ortega presents us with the reality of this problem: So far as ideas are concerned, mediation on any theme, if *positive and honest*, inevitably separates him who does the mediating from the opinion prevailing around him, from that which . . . can be called "public" or "popular" opinion. Every intellectual effort sets us apart from the commonplace, and leads us by hidden and difficult paths to secluded spots where we find ourselves amid unaccustomed thoughts. These are the results of mediation.

Why dwell on this? A simple reason: if you are on the right track and gaining in knowledge but fail to read these signs aright, you may throw in the sponge simply because listeners are few; you may call it quits just before the dawn. In a word, I hope to present an antidote for discouragement, a way of viewing matters that will help to "keep the chin up." Not only yours, but my own! In the area of our concern, it is easy to mistake success for failure.

Why? Simply because success is often equated with a growing number of adherents, failure with a declining number, as if the quality of ideas and the quantity of better thinkers go hand in hand. We tend to expect that any improvement in ideas will automatically attract a wider audience; whereas, quite the opposite might happen.

Popularity Contests — Not the Path to Truth

My thinking in this matter has been stimulated in part by a slight drop in FEE's mailing list over recent months, while at the same time we are told by others that our publications and seminars are better than ever before—and that we must do something to "reach more people."

Were numbers here and now the sole measure of success, then the recipe would be (1) a point of view consistent with "public" or "populart" opinion; and (2) charismatic personalities. Examples can be found in the political realm: engaging and energetic copywrits of the current consensus patting themselves in the vanguard.

Were ours just a numbers game, then we would attractively proclaim "free enterprise" and loudly decry "socialism." *And let it go at that!* For there are millions paying lip service to freedom and proclaiming opposition to socialism who are anxious to ally themselves with those of similar leanings—so long as the specific aspects of these opposed ways of life are left unexamined. But never, for heaven's sake, go beyond the generalities and attempt a detailed study of these ideologies! To do so assures alienation, a marked dwindling of old friends, perhaps a few new ones.

Our meditations at FEE over the past quarter century have been positive and honest. Even our detractors concede that we have so operated, and with consistency. In the beginning our position was more or less a generalisation: in favour of freedom and opposed to socialism and other variants of authoritarianism. But the more we meditated, the more did some commonly accepted practices of "free enterprisers" and "anti-socialists" show up as bearing the seeds of socialism behind the labels. Further, we have never held the results of these meditations to ourselves for fear of giving offense; that is, we have not bowed to expediency.

For instance, some 20 years ago we published *The Tariff Idea*, a critique of protectionism, the case for freedom in transactions. The criticisms we received were severe, and several large corporate supporters dropped FEE then and thereafter. Over the years all of our books and each of nearly 3,000 essays have, in one way or another, affronted the mores, gone counter to the current trends and accepted opinions. This is to say, we have upheld the basic principles of voluntary exchange, private ownership, limited government while, at the same time, challenging those flaws of coercive or governmental intervention parading under the name of free enterprise. Such unaccustomed thoughts are not popular!

To Find a Better Way

This is why the serious freedom devotees may not rely on numbers—popular acclaim—as an objective. For the prime requirement of such an objective is to stay on the beaten track, to go along with commonly accepted notions. But must we not abandon the beaten track if we would *find a better one?* To "go along" is to go without prospect of improvement. To play

the numbers game is to accept the fallacies that ought to be exposed and displaced.

The soundness of a philosophy cannot be gauged by numbers of followers. In this respect, the philosophy of freedom is similar to religion. True, we can count the funeral supporters of the several religions and the church attendees, but these numbers reveal absolutely nothing as to the depth or profundity of religious convictions. Religious faith, so-called, is founded on diverse forces, ranging all the way from fear and superstition to cosmic consciousness. We must note, however, that all of the significant religions have been inspired by some *one* whose purity of thought—meditations, if you will—provide that rich spiritual insight which made possible the awakening of others.

High Mortality of New Ideas

Continuing the analogy, be it noted that even religion was, initially, an affront to "public" and "populart" opinion, a complete break with the mores. Each was born in an environment more or less hostile to its precepts. These initiators of high ethical, moral, and spiritual ideas have, in every instance, presented thoughts unfamiliar to most people at the time.

It is only when we make progress in learning what the ideal is, while standing foursquare therewith in our proclaimed positions, that we aid the cause of freedom. True, we will never fully comprehend the ideal, let alone realise it, but we can everlastingly strive for this purity in thought. Be certain of this: the nearer we come to knowing and upholding the ideal, the greater is the probability that the good society may emerge. Why? Because men can establish the good society only upon what is right and true. Upon that alone, and nothing else!

Fungus may be spawned by a muck heap; but the good society is the emergent and flowering of the best there is in thoughtful meditation. The best flows all ways from one—the one who comes nearest to being the perfect exemplar. Viewed in this manner, the so-called problems of society break down to a level a person might comprehend. One's duty is not to fall in step with present imperfections but, rather, to strive for his own perfection. Upon whom, then, does the solution depend? Upon the world's most important person: YOU!

(From *The Freeman*, July, 1971)

1973 SUMMER SCHOOL

A full report of the recent Summer School
and Conference will appear in the next
issue of Good Government.

ARE WE MARXIANS NOW?

By HANS F. SENNHOLZ

Ideas are the forces that lift or destroy civilisation. They bring peace and prosperity, or breed wars and revolutions. Ideas shape our laws and institutions, and govern individual action and social relations. No wall or boundary can forcibly retain an idea. It sweeps around the earth like a storm that spares nobody. Ideas are stronger than bombs and missiles, they are mightier than an armada with megatons of explosives.

The philosophical, social and economic ideas of Karl Marx have been more influential than those of all other socialists. They have had and continue to have, a profound impact not only on the lives of billions of people living in communist and socialist societies who worship him as their apostle and master, but also on the thoughts and policies of all others. Surely, no one would label the American society as "Marxian," or describe our social and economic policies as "Marx inspired." There are very few Americans who would courageously confess allegiance to the doctrines of Marx. And yet, serious contemplation cannot escape the conclusion that contemporary American thought on some three major issues—the conflict of interests in society, the concentration of business, and our outlook on the world—bears a startling resemblance to the doctrines of Karl Marx.

At this place we need not investigate why and how this similarity came about, nor ascertain the channels of education and communication that facilitated the sway of Marxian ideas. In fact, in order to demonstrate the resemblance of contemporary thought to Marxian doctrines we need not even prove that Karl Marx was the original author of prevailing American thought. After all, there were many other originators of socialism whose intellectual interdependence is difficult to record.

Economic Conflict

Most Americans seem to agree with the Marxian doctrine of political, social and economic *conflict*. Their traditional belief in a harmony of interest has gradually given way to trust in conflict and force. Americans now agree with Marx that social groups pursue conflicting interests that are reflected in antagonistic political and economic programs. Where in the past they had relied on individual initiative and action, they now depend on collective measures through legislation or regulation, or collective programs for political and economic pressure groups or business and labour organisations. He who stands alone today without the shelter and security afforded by his interest lobby or union is a rare exception.

In every session of Congress hundreds of new laws are passed that aim to confer rights and privileges on some groups while restricting those of others, or grant property and income to some at the expense of others. The political process has become a wrestling match between ever-changing alliances of pressure groups fighting over economic privileges and benefits. Just listen to the daily newscasts. Most of the reports, whether national or local, deal with the most noisy manifestations of this collective conflict.

Karl Marx was a forceful spokesman of the conflict

and exploitation doctrine. Even in the United States, this bulwark of the free world, the doctrine has swayed public opinion. It makes its appearance in the popular notion that the unhampered capitalist economy delivers the wage earners to the discretion and power of wealthy industrialists. The individual worker is said to be helpless and in need of legal protection in his bargaining with management whose primary concerns are power and profit. The unbridled market system with its profit motive and unhampered competition as it prevailed in this country before World War I is condemned for having inflicted hardship and deprivation on many generations of workers. Such notions, which are popular versions of the exploitation theory, have invaded our colleges and universities, indeed all channels of education and communication. They have radically changed our political parties and our churches. They have given rise to a gigantic labour union movement and to the "New Deal" in social and economic matters. In fact, the exploitation theory determines our basic "economic" policies at all levels of government.

Labour Policy

The ever-growing mass of labour legislation is one of the fruits of the exploitation theory. Its advocates credit modern social policy for having reduced the work week to 48, 44, and 40 hours, or even less. They applaud labour legislation for having eliminated women and children's labour. And they ascribe the present rate of wages to the minimum wage rates set by authoritative intervention. Indeed, practically all labour improvements are credited to social legislation and labour union intervention.

Compulsory social insurance, including unemployment assistance, Medicare and Medicaid, stem from the same intellectual roots. Capitalism is said to be incapable of giving sustenance to the unemployed, sick, or aged labourers. Therefore, social policy must assure decent living conditions to an ever-larger part of the population.

Also, modern taxation reflects our adoption of the exploitation theory. Most taxes aim not only at raising revenue but also at correcting or alleviating the alleged evils of our economic system. Some taxes aim at a "redistribution" of wealth and income. Compulsory rates are imposed on entrepreneurs and capitalists whose income and capital are thus transformed into goods for consumption by the "underprivileged." Other taxes aim at changing business customs and conduct or at regulating production and trade. All presidential candidates promise more of the same.

Our labour unions derive their very justification for existence from the exploitation doctrine. Few Americans would disclaim the boast of union leaders that their unions have raised, and still are raising, wages for all workers through association and collective bargaining. American public opinion believes that recent history has proved the beneficial nature of trade unionism without which workers would be subjugated to the greed and arbitrariness of their employers. Because of the common fear of labour exploitation, the people suffer strikes or threats of strikes, union coercion and violence, and endless agitation of hate and envy by labour leaders against the wicked selfishness of exploiters. To many millions of Americans, membership in a labour union is an important social duty and strike

a holy task.

Clash of the Generations

In recent years the conflict doctrine has been broadened to cover yet another area: the relations between different generations. It thereby succeeded in pitting millions of American youth against their elders in a so-called "generation gap." Numerous student organizations of the "New Left" are attacking the "establishment" that represents the older generation with arguments that are taken without much change from the armoury of Marx. The era of campus violence was ushered in by the Students for a Democratic Society (SDS), a quasi-Marxian class organisation. It was followed by such groups as the Progressive Labour Party, the Weathermen, the Young Workers Liberation League, the Young Socialist Alliance, the National Peace Action Coalition, the New American Movement, and many others. Although the members of such militant groups comprise only small minorities of students, it appears that many millions of young people agree with the radicals on the existence of conflict. If there is collective conflict in our social and economic spheres, why should there be peace and harmony between the establishment and its opposition, between the older generation and youth?

Racial Conflict

One of the ugliest manifestations of the conflict doctrine is found in our race relations. We are told again and again that it is our capitalistic system that imposes conditions of hardship upon a minority of its citizens, and that finally the angriest of them have been driven to assault the exploitation order. We are accused of wicked standards of white morality and capitalist middle-class behaviour that condemns the rioting and looting but lacks human concern for millions of deprived Negroes in our midst.

A solution to the growing problems of racial strife is sought in ever-costlier government programs, in more public welfare and public care. While Newark was burning, and as twenty-seven Americans were losing their lives there the Federal Government tried to rush through Congress a bill to provide \$20 million a year for two years to exterminate the rats that infest the city slums. It was suggested that eradicating rats would ultimately help to prevent the racial riots, as it would indicate to the rioters that somebody really cares.

One may agree with the militant "Civil Rights" leaders that, for the first time in American history, political and social conditions are ripe for open rebellion and revolution. But our explanation differs fundamentally from theirs. The teachings of conflict and socialism, which for a long time were limited to white pressure groups, have finally reached millions of Negroes. In their incredible blindness our political leaders eagerly sow dissatisfaction and make reckless promises of redistribution while condemning the private property order—openly encouraging Negro protests against that order. It is collectivism, not capitalism, which breeds insurrection and revolution.

Sexual Conflict

In the United States the conflict doctrine finally was extended to cover sexual relations. There can be little doubt that women's liberation has become a major and militant movement.

In some of its aspects the movement is hardly new.

More than 50 years ago it led to the 19th Constitutional Amendment that gave American women the right to vote. But in recent years, especially since the appearance of Simone de Beauvoir's *The Second Sex* and Betty Friedan's *The Feminine Mystique*, it acquired the familiar symptoms of conflict and confrontation. Some of its radical spokesmen sound like the other conflict champions although they substitute sex for race, class, or generation. Their charges are almost identical: the capitalist system breeds exploitation and slavery and therefore should be abolished. Economic freedom means freedom for men only, but exploitation and dependence for women. Therefore, it must give way to the political process, to legislation and regulation, in short, to a new order.

Concentrations and Monopolies

Although most Americans would disdain any sympathy for Karl Marx and his teachings, they seem to be in full agreement with him not only on his doctrine of conflict of interest and class struggle but also on his theory of industrial concentration and monopoly.

In *Das Kapital* Karl Marx proclaimed the inevitable coming of socialism on grounds that capitalism causes a gradual pauperisation of the working classes. The exploitation profits, which businessmen pocket by means of the employment contract, are invested in an ever-growing apparatus of production, today called automation, which in turn creates a growing army of unemployed and underemployed paupers.

In the decades that followed the publication of *Das Kapital*, it proved to be most difficult to incubate this doctrine in the minds of American workers. Every year, wages rose and conditions improved on account of expanding capital investments and rising labour productivity. In fact, the standards of living of American working people rose to levels that are unprecedented in human history. And with the rise in labour productivity and wage rates, the conditions of health, life expectancy, education, recreation, and leisure improved immeasurably.

A more plausible theory on which the doctrine of inevitability of socialism could be based had to be found. Today, communist propaganda, whether in the form of arrogant prognostications that our grand-children will live under communism or as blaring newscasts by *Kathia Masure*, proclaims the coming of socialism on grounds that capitalism is degenerating to dire monopolism. Whatever capitalism may have achieved in the past, its dreadful degeneration gives rise to vast concentrations of wealth matched by dismal poverty, automation and unemployment, and other discrepancies and imbalances. Prosperity under capitalism, we are told, is only short-lived and must soon give way to monopolistic exploitation, depression, and unemployment.

Many Americans are increasingly receptive to this doctrine. Certainly the Founding Fathers were aware of the inherent dangers of monopoly. Thomas Jefferson had even advocated a Constitutional amendment outlawing monopolies. But the Founding Fathers were also fully aware that governments were spawning the monopolies. Some three hundred years of European mercantilistic monopolistic policy had taught them that the government issue of licenses, franchises, regula-

tions, and controls gives rise to monopolistic restrictions and economic readjustments.

The Forces of Competition

Under the influence of European socialist thought and Marxian indoctrination, this causal connection between government and monopoly has been gradually forgotten. Instead, many Americans are now led to believe that the capitalistic market economy breeds monopolies, and that "big business" tends to degenerate to monopoly. In reality, the unhampered market economy, through the operation of free competition, prevents any one businessman from charging monopolistic prices. Even if one should be the only producer in the field, potential competition, the competition of substitutes, and the elasticity of demand, prevent him from exploiting the situation.

Potential competition exists in all fields of production and commerce which everyone is legally free to enter. Most corporations are searching continually for new lines and items of production. They are eager to invade any field in which business earnings are unusually high. The invasion of another field by a corporation may involve no more than a single retooling or reorganization that is achieved in a few weeks or months. Or, brand new facilities may be employed for an invasion. Thus, one producer, whether he is a monopolist, duopolist, or a competitor among many, always faces the potential competition of all other producers.

But even if American enterprises failed to compete with each other and potential competition failed to exert a restraining influence on monopolists — which is a most unrealistic assumption — the people would escape monopolistic prices through recourse to substitutes. In many fields the competition of substitutes is more important than that of competing enterprises. In the manufacture of clothing, for instance, a dozen different materials vie with each other for the consumer's dollar. The monopolist of any one material is powerless because monopolistic pricing would induce consumers to switch immediately to other materials. The manufacturers of suspenders compete not only with each other and with potential competitors, but also with the producers of belts. In the transportation industry the railroads compete with trucks, cars, airplanes, pipelines, and ships.

Elasticity of Demand

The existence of substitutes makes for demand elasticity which, in turn, makes monopolistic pricing unprofitable; for higher product prices would greatly curtail product demand, and thus sales and income of the monopolist. Therefore, he again must act as if he were a competitor among many.

All producers, in fact, compete with all other producers of the consumer's dollars. The manufacturer of television sets competes with the manufacturer of freezers and refrigerators. If the monopolist of one commodity — say, television sets — should raise his price, the consumer may forego the purchase of a new set and buy instead a second-hand set or a refrigerator. We consumers do not allocate our income to the satisfaction of categories of wants but to that of specific wants yielding the greatest net addition to our well-being. This addition, in turn, is determined by the urgency of our wants and by the cost of satisfaction.

This consideration of some fundamental principles

of market economies runs counter to the interpretations offered by Marxian propaganda and, unfortunately, also by many fellow Americans. Our statist politicians and antitrust bureaucrats partially embrace the Marxian explanations. They subscribe to the theory that our capitalist system breeds monopolies. But then they part with *Radio Moscow* by proclaiming their desire to save this monopoly-breeding system from its own destruction. They propose to control the monopolies through government action. Almost every day now, the Antitrust Division of the Department of Justice charges some businessmen with monopolistic conspiracy. These charges, being made in the limelight of world-wide publicity, poison the political atmosphere and create a badly distorted picture of our enterprise economy. In fact, the Antitrust Division is one of the most efficient arms of socialist propaganda.

Anticolonialism

Many Americans also agree with the Marx-Lenin doctrines of colonialism and imperialism. In the name of national sovereignty and anticolonialism the United States Government has promoted nationalism and socialism in all corners of the world. It has exerted its great influence toward the reduction of European influence and possessions in Asia, Africa, and Latin America. We urged the Dutch to leave Indonesia, we applauded the French retreat from Indochina, we bitterly demanded British and French withdrawal from the Suez Canal, we urged the Belgians to leave the Congo, and the French to surrender North Africa, we censured Portugal for her African possessions and imposed sanctions on Rhodesia.

The Western retreat from Suez to Panama, from Indonesia to Algeria, from the Congo to Morocco evidences an ominous weakness of Western civilization. Blinded by socialist doctrines and prejudices, our statesmen hail retreat as progress and defeat as victory. Their world view is perverted by conceptions of "capitalist colonialism," which are derived from the teachings of Marx and Lenin. Echoing the communist leaders in their attacks on the West, they level the charge that European colonialism has kept the economically backward nations subjugated for centuries.

This misconception of history flows from a bad distortion of facts. The European colonies were acquired during the age of mercantilism and nationalism. The spirit of capitalism with its concern for individual freedom and private property, which shaped British foreign policies during the nineteenth century, completely transformed colonial possessions. The British overseas settlers became virtually independent—enjoying a dominant status. All other territories dependent on British rule were governed according to "open-door" principles. The British Empire was a vast free-trade area in which the government undertook only to maintain law and order.

Laissez Faire

Capitalism is the system of individual freedom and private property in production as well as consumption. In both domestic and foreign affairs it implies *laissez faire*, which means free trade and an open-door policy that welcomes everyone and discriminates against no one. The exploitation of colonial possessions is inconsistent with the concepts of competitive private enterprise and voluntary exchange. An American or Euro-

pean business that invests its capital in an underdeveloped country does not exploit the natives. Capital investments anywhere raise labour productivity and consequently wages. The United Fruit Company, for instance, did not enslave the people of Latin America by creating plantations in wilderness. On the contrary, it raised native productivity and improved working conditions.

And yet, most Americans are convinced that European colonialism is responsible for world poverty and upheaval. Why else would the U.S. Government have helped to liquidate European influence in all corners of the world and today it strongly opposes the white administration of Portuguese Africa, Rhodesia and South Africa. Many Americans even approve of the confiscation or nationalisation of private enterprises by the governments of newly independent countries. They agree with the Marxians the world over that a sovereign state can legally seize and confiscate any foreign enterprise in disregard of valid contracts and agreements. This is why the new states of Africa and Asia can seize and destroy huge European investments with impunity. And Fidel Castro could seize more than one billion dollars of American investments.

During the eighteenth and nineteenth centuries most Americans were conscious of the natural rights of individuals, and therefore believed in an idea of state sovereignty that was severely limited by unalienable personal rights. State sovereignty was encompassed by the individual rights to life, liberty, and property. This concept of limited state sovereignty, which true friends of freedom continue to embrace, denies the right of any government to seize or nationalise any enterprise without the owner's consent.

Are we Marxians now? Most Americans will indignantly answer this question in the negative. After all, they neither condone dictatorship with its one-party system nor the ruthless suppression of dissent and brutal treatment of dissenters, which characterise all communist countries. They are "civilised" and therefore abhor all manifestations of inhumanity. But unfortunately, many Americans unwittingly share important philosophical, sociological and economic beliefs with Marxians the world over. These beliefs give rise to policies that please the Marxians. Ultimately, they will breed the very political and economic tyranny which Americans so abhor.

(Reproduced from *The Freeman*, August, 1972)

"DEVELOPMENT OF THE POOR THROUGH THE CIVILISING OF THE RICH".

BY BETTY NOBLE

Under this arresting title CORSO (Council of Organisations for Relief Services Overseas) Information Service has published a paper by the Rev. Fr. Tissa Balasuriya B.A. (Hons) Dip. Agr. Econ. (Oxon), O.M.I. of Sri Lanka (formerly Ceylon) which is remarkable for its excellent presentation, its thorough research, its transparent honesty and its total objectivity. Some of his comments have been heard before, but they are so significant, and in this publication so well documented, that they are worth repeating: other comments are equally significant but not nearly so well

understood and discussed.

Mr. Balasuriya begins his treatise by pointing out that the developing countries are just as distinguished with present aid programmes as many of us are in the rich countries. With the effluxion of time this was of course inevitable for the growing gap between the rich and the poor countries, and the growing gap between the rich and the poor in the poor and the rich countries becomes ever more noticeable. According to "Trends in Developing Countries, World Bank, 1971, the per capita G.N.P. in 15 Asian countries increased between 1960 and 1969 from 90 to 109 whereas in 7 Southern European countries it increased from 321 to 496 during the same period.

The indebtedness of the poor countries to the rich countries has also increased and continues to do so because of the large loan and investment components of "aid". In 40 African countries, for example, the overseas debt grew from 6.3 billion U.S. dollars in 1965 to 9.2 billion dollars in 1969; in South Asia from 9.0 billion U.S. dollars to 13.8 billion dollars; in the Middle East from 2.3 billion U.S. dollars to 4.9 billion dollars. In Ceylon 40 per cent of overseas earnings are used for debt servicing. In view of the fact that between 1959 and 1970 the developing countries' share of world trade fell from 32 percent to 17 percent it is improbable that, short of radical changes, there will be other than a worsening of poverty in the developing countries.

In a section "Who aids Whom?" Mr. Balasuriya points out that historically the poor countries have always contributed to the enrichment of the rich. Despite the fact that there were, doubtless, many broadminded and understanding members of the Colonial Services and foreign trading companies, colonialism was pursued because it was profitable, and it was profitable because what are now the developing countries were a source of cheap labour and cheap land. What particularly interested me, however, in Mr. Balasuriya's paper is his contention that despite political independence the ex-colonies' position remains substantially unchanged. He says "evidence would seem to indicate that while the people of goodwill in the rich countries do send some aid to the poorer countries, it is still the poor countries which have to contribute to the rich countries."

This subsidising of the rich countries by the poor is achieved he says in two ways: first, in many developing countries foreign companies continue to control much of the trade and in some countries, such as Ceylon, much of the land. Mr. Balasuriya does not specifically mention that most of such companies have a monopoly or semi-monopoly because of trading restrictions in both the rich and the poor countries, but this is surely the reason for the continuing exploitation through trade. Mr. Balasuriya tells us that Ceylon tea which is sold to foreign countries at Rs.1.75 or Rs.2/- retails in New Zealand at Rs. 6/- and up to Rs. 14/- in some other countries. Secondly, he points out that even when there is no overseas ownership of resources in a poor country, the rich countries drive such hard bargains in trade that the terms of trade are extremely unfavourable to the poor countries and extremely favourable to the rich countries. An example of such trading is the sale of bananas to the New Zealand im-

porter at 1c a lb. and their resale to the New Zealand public at about 17c a lb.

I do not know whether he realises that not only the Fijian producer, but the New Zealand consumer too, is gaining less from this trade than he should. This may be because there is only one firm which imports bananas from the Islands into New Zealand. Mr. Balasuriya does however say "*International monopolies* which control tea, coffee, rubber, sugar, fruits, etc., are a major cause of the unfair deal which primary producers obtain". How very, very true and, maybe, how very, very obvious, but nevertheless its an evil which cannot be too frequently brought to attention.

The following table appears as appendix 2 and seems to me to be convincing evidence of the writer's claim that while the rich countries are giving a small amount of "motivated aid" to the poor countries, the poor countries are supplying a much greater amount of "extorted aid" to the rich countries.

Tonga:

(a) Value added to Tonga:

Bananas, 25,909,110 lb.	276,277
Phiapples, 36,030 lb.	1,346
Desiccated Coconut, 1,036,156 lb.	158,375
	\$185,998

(b) Value added to N.Z. Economy:

Bananas, 25,909,110 lb. x 17c	4,404,548
Phiapples, 36,030 lb. x 20c	6,906
Coconut, 1,036,156 lb. x 38c	393,737
	4,804,291

MINI'S landed price in New Zealand:

Bananas	\$1,135,013
Phiapples	2,197
Coconut	36,839
	1,174,049

Total value to N.Z. \$3,630,242

Fiji:

(a) Value added to Fiji:

Coconut, 29,180 lb.	500
Bananas, 5,184,050 lb.	55,550
Sugar, 753,623 cwt.	2,049,944
	\$2,106,984

(b) Value added to N.Z. economy:

Coconut, 29,180 lb. x 38c lb.	11,088
Bananas, 5,184,050 lb. x 17c lb.	881,288
Sugar, 84,495,776 lb. x 11c lb.	9,284,654
	\$10,177,010

MINI'S landed price in New Zealand:

Coconut	887
Bananas	223,976
Sugar	2,307,436
	2,532,299

Total value to N.Z. \$7,644,711

Mr. Balasuriya claims that the world is structured for underdevelopment and this contention would be hard to refute. Where there is power there is inevitably a tendency to structure society to suit and maintain that power—a truth which Bastiat so admirably expounded in "The Law". Mr. Balasuriya also points out that as the rich in the rich countries get richer there is more social pressure on the richer of the poor countries to emulate them, "thus increasing their vested interest in the poverty of the poor—which is the condition of their relative prosperity".

There is a lengthy section on the inequality of the distribution of land between the rich countries and the poor countries and the injustice of the immigration laws of the richer countries. He says that in part the underdevelopment of the poor countries, especially in Asia, is caused by the relationship of population to land and points out that while white people, due to the expansionary policies of the last 400 years of colonialism have some countries open to them, no migration is possible for most Asians. Some of the figures are certainly striking if one has not come across them before: "... Bangladesh alone has 75 million people on 55,000 square miles of land, or half the size of New Zealand ..." (New Zealand has a population of about 3 million) "... Bangladesh has twice the population of New Zealand, Australia and Canada together and 1/125 of their land surface ... Yet it is doubtful whether even 10 Bengalis were admitted to these three countries last year when 10 million of them were displaced ... The three Commonwealth countries, Canada, Australia and New Zealand, with their white immigration policies are among the most pernicious obstacles to human development and justice in the distribution of the world's resources among mankind. Even making allowances for the Australian desert and the Arctic North the imbalance is very great ... " The writer also mentions that Brazil has an area only slightly smaller than China but has a population of only 95 million compared with China's population of 775,800 million.

I was glad that Mr. Balasuriya drew attention to the very restrictive immigration policies most countries have today. He said "... The present world order is basically unjust because of its inequality and neglect of human rights. The world belongs to all mankind and must be equitably distributed. This is a primary demand of justice. This is not a matter of sympathy or aid, it is a basic right of man and peoples. Before charity we must work for justice ... "

At the outset Mr. Balasuriya said that he intended to draw attention to what the people in rich countries are doing because he is speaking to people in a rich country. However, it is clear that he does not condone the shortcomings in developing countries themselves for he says "... Thus the green revolution in agriculture, while increasing yields, may not lead to better conditions for the landless agricultural labourers and poor peasants, for the big landowners and money lenders may reap the real harvest. Without land reform and reform of the social structures, the poor may become poorer even when the productivity increases ... " In the section on practical policies he recommends a tax on unused land to help peoples without land.

The paper draws attention to the fact that the poor countries open to the west are being pushed towards communism whether they wish to go that way or not, for if they remain open to the west this means they remain open to increasing exploitation through trade and aid and that they maintain the present patterns of land ownership. The writer is clearly not happy about this trend towards collectivism. It is very heartening that a man of his ability is bringing so much energy and enthusiasm to the task of building a better, viable world society.

THE ROLE OF RULES

By LEONARD READ, President, The Foundation for Economic Education, Inc.

It is an accepted notion in some circles that there are no norms or guidelines for human action. We are, it is said, creatures of impulse, responding to whatever notions pop into mind. "Radical relativism," as it is called, invites re-examination of the way of life founded on rules and principles. There seems to be considerable confusion about the nature and purpose of rules.

An aphorism may help put the point in focus: "Rules are meant for those expected to obey; principles for those expected to think." This seems to suggest that rules are made by dictators to be obeyed by slaves and that principles are the findings of philosophers to be savored and pondered by thinkers. But such a conclusion is far too shallow.

The principle of a thing is a verbal formulation of its nature and its workings; a rule is a handy guide to action deduced from the principle.

There are good rules and bad rules precisely as there are true and false principles. A good rule: "Do not unto others that which you would not have them do unto you." A bad rule: "The king can do no wrong." Now to the principles: "The earth revolves on its axis and around the sun" (Copernicus) is a principle upon which man may rely. An earlier theory, "The sun revolves around the earth" (Ptolemy) has now been rejected as a true principle because it has been proved to be inadequate. Rules derived from the principles of Copernicus may be followed with assurance and may not safely be ignored.

Ptolemy's theory afforded no basis for the law of gravitation. Rules deduced from such a theory would prove disastrous. Example: a medical officer attached to the Air Force in the Far East during World War II told me of a B-29 Captain whose mission was to transport some fifty Chinese coolies to a labour assignment. Half way to his destination and at 18,000 feet, he visited the cabin to check on his charges. Some missing! How come? Later, from a peep-hole position, he observed that they had opened a hatchway. Two of them made a saddle of their hands on which one of their buddies would sit, all three laughing as they tumbled huh out! These people knew nothing of the law of gravitation and, of course, could not observe the results. To them, it was only to fly through the air like a bird!

No one knows precisely how to explain gravitation, yet many of us know that it works and we frame countless rules accordingly: for instance, we do not jump off the Empire State Building. To disregard these rules is to court disaster.

Principles, discovered by philosophers and scientists, abound by the thousands. Yet most of us are unaware of many of these principles. Even the vast majority of philosophers and scientists have not the slightest idea about each other's formulations. Who among them, for instance, knows of the subjective and marginal utility theory of value or the principle of freedom in transactions? Perhaps one, now and then—a rarity!

Had we no way of abiding by principles except as we understand them, man would perish from the earth.

One of the world's great astronomers comes to mind. In his field he is tops. And because he sees more through his little peephole than others with similar peepholes, he ventures with self-assurance into politico-economic matters about which he knows next to nothing. Over and over again we witness geniuses in their particular specialisations assuming a knowledge of areas in which they have no competence. Follow this astronomer in astronomy and become enlightened; follow him in political economy and become enslaved. Specialisation, when coupled with man's arrogance, leads towards such danger.

What then is our saving grace? Rules! Do not touch a red hot stove or a live wire; do not jump out of a plane without a parachute; do not cheat, lie, steal, kill; do not feather your own nest at the expense of others. I do not have to know that "the volume of a gas varies inversely as the pressure" to avoid a bomb exploding in my face; I only need to know the rule. "Don't play with bombs."

Let us now turn to the idea that "rules are meant for those expected to obey." True, perhaps, but what is the nature of these rules? There are two divisions—poles apart and each requiring its distinct kind of obedience. Rules in the first category are psychological in nature and obedience consists in practising self-discipline; those in the second are sociological in nature and obedience consists in submitting to external authority.

Take the Golden Rule, which is a maxim in the first category. This is the oldest ethical proposition of distinctly universal character. If one is intelligent enough to see the wisdom of this rule and if he has the strength of character to heed it, he obeys. Otherwise, not! Each individual makes his own decision to obey or not, and there is no external authority on earth, no government, that has the slightest power to exact obedience to such a rule. Intelligence and strength of character are never the products of external compulsion but are exclusively voluntary and of one's own making. Is this not self-evident?

The Commandment, "Thou shalt not covet," is but another of countless ethical and moral rules—a rule that is obeyed or not as the individual chooses. A gun at my head could not keep me from coveting another's achievements or possessions. These are secrets of the soul, intellect, and conscience. Such secrets are not necessarily revealed to others or understood by them. No matter how stupid or wrong my secret longings, they are not subject to correction by external compulsion. In these matters each decides on the rules to be accepted or rejected and he prospers or falls in life's purpose according to how intelligently he identifies the rules and obeys them.

Once we recognise our shortcomings in understanding and obeying these ethical and moral rules and guidelines—an era in which the individual is in complete command and without interference—we must conclude that man by nature is imperfect. Regardless of how well we know these rules and how obediently we serve them, we will, to some extent, offend the rights

of others. Perfect harmony in society is not possible, even among the moral and spiritual elite. And pronounced indeed is the disharmony caused by those who have no scruples—no rules of their own!

This poses the necessity for rules of the second kind, those that are sociological in nature. These are meant to take effect if and when moral laws are ignored or violated; they are designed to cope with the antisocial as distinguished from the peccetial actions of citizens, that is, with those actions which cause injury to others; injury, as the term is applied in this context, must be carefully defined by rules, which if properly drawn and obeyed, would assure a fair field and no favour. In this category of rules, we are expected to obey *not necessarily* what our conscience suggests but, rather, what an external authority dictates. As distinguished from moral law, this is civil law: it punishes those who trespass against their fellows, but it presupposes that there are men who behave ethically a good part of the time.

It is utter folly to believe that there can be a good society without the rule of law—civil law, that is. Yet, this category of rules is loaded with the possibility for evil as well as good results. Civil law can, and often does, lead to total statism—enslavement—or it can, but rarely does, lead to securing individual liberty. Nonetheless, the free society is out of the question in the absence of civil law: to have even the remotest chance of the good society requires that we assume the risk that civil law might go askew. To achieve the best, we must face and overcome grave dangers. There is no alternative!

Wherein lies our hope? Is there, indeed, a certain narrow course which, if scrupulously followed, would secure liberty to all alike and which would, at the same time, steer away from lawless anarchy on the one side and all-out statism on the other? If so, what is it?

There is definitely and explicitly such a course and it can be ours if we are not blind to it. The price tag, however, is the ability to see and, having seen, to stay on course.

This high road has as its foundation what many early Americans believed—and I devoutly believe—to be a wholly reasonable presupposition, namely, that men's rights to life, livelihood, and liberty are endowed by the Creator. These rights are part of our very being; and our being, although it is compounded of elements deriving from our society and other ingredients that link us with nature, is rooted in a reality which transcends both nature and society. Each man participates in an order which confers upon him certain prerogatives which other men should not impair.

This proposition gains confirmation as we reflect on the absurdity of its only possible alternative, namely, that men's rights to life, livelihood, and liberty are endowed by a human collective which, in this context, is government. Of what is government composed? Persons no more graced with virtues, talents, and omniscience than you or I? For any human being to believe that our rights to life, livelihood, and liberty are or could be derived from him is nothing less than egomania.

This inherent rights principle, affirmed in the Decla-

ation of Independence, has fallen by the wayside so far as comprehension and acceptance are concerned. Giving the reasons, beyond a growing egomania, is no less difficult than trying to explain the decline in religion, that is, the rejection of an Infinite Power or Intelligence over and beyond our little, finite minds.

There is, however, an easily misunderstood companion idea in the Declaration that may have led many people astray: "... that all men are created equal." This has been seized upon by the Declaration's detractors to "prove" how nonsensical its writers were in whatever they declared, including the Creator concept. Of course men are not equal in a single personal attribute. This is so obvious that the authors of the Declaration took no pains to say so. They were not writing to fools. What they had in mind was the profound idea that *all men are equal before the civil law as they are before God*. This relegates civil law to its proper place. Without this concept of equality before the law, justice is out of the question and civil law is out to get you and me. As Professor Benjamin Rogge puts it, "The blindfolded Goddess of Justice is encouraged to peek: 'Tell me who you are and I shall tell you what your rights are.'"

Finally, these two kinds of rules work one on the other—they are interacting. It is ridiculous to believe that any set of civil laws can be devised to bring about the good society among a people having no moral and ethical scruples. On the other hand, whenever a first-rate citizenry carelessly permits the civil law to go beyond its principled scope of maintaining the peace of the community, it will deprive them of their liberty and self-responsibility. In this event, they will degenerate into lawbreakers, black marketers, conmen, etc.

Those who aspire to a good society have no manner of realising their goal except as they (1) understand and obey the basic principles or rules of morality and ethics; and (2) establish and limit the scope of civil law so as to insure liberty and justice for all.

Thus, the first-rate citizen has a dual role to perform as related to the rule of rules.

(Reproduced from *Free*, March, '72)

CITIZENS CONCERNED

The Editor, S.M. Herald

ECONOMIC LITERACY

The term political economy was given currency by the Physiocrats for the express purpose of making a distinction between the natural economic order—an order comprised in the physical and moral laws that existed before any political institutions among men—and "the mischievous arts of the political and economic planners who were, at that time, threatening destruction of natural economic co-ordination".

Unfortunately, contemporary economists have turned the clock back under the delusion that politics and economics are inseparable and have abandoned the vital distinction between two very different aspects of the body social. Thus art no longer need bow to science, expediency and what is politically popular becomes the

gnifying star and economic flounders at the primitive level from which medicine climbed a few centuries back.

Before we can expect those who vote and ratify public policy to gain even an elementary understanding of the economic factors of life, Brian Nord (letters Dec. 29) and his colleagues in the Economic Teacher's Association of N.S.W. must recognise this crucial distinction, and put an end to the muddle in economic thought which blinds society to the truth that all our so-called economic problems are the result of political mischief. Economic education must begin with the educators.

E. T. DONOHUE.

Croydon.

(The letter was not published)

READERS' LETTERS

LAND SPECULATION PROMOTES INFLATION

The causes of inflation are far from simple; hence the diversity of diagnosis and cures propounded.

One cause often cited is excessive note issue from Government printing presses, either to stimulate demand (after Keynes) or, more cynically, to help pay for election promises.

Investment in land is often resorted to as a "hedge against inflation," in recognition of the fact that the value of land in general appreciates, whereas man-made commodities depreciate with the passage of time, and money, the medium of exchange, depreciates in value in modern societies.

While such investment may be attractive for the investor or vendor, it is quite different for society as a whole. In particular, for the purchaser of land, whether for housing, industry, commerce, or other purpose, the escalating price to be paid for access to a site means a larger financial outlay, often compounded by extra mortgage and interest payments, which thereby restricts the finance available for goods and services. For an industrialist or home builder, for instance, this means less cash readily available for the building.

Thus the effective demand for the building industry and its associated products is slowed down, the economy tends to become sluggish, and the call is issued to "prime the pump", i.e. inject more currency into the economy.

So land prices, and particularly land speculation, emerge as major suspects for promoting inflation. After all, in this way, fortunate individuals can become recipients of large increases in purchasing power without the accompanying production of goods and services.

Clearly, land value taxation, together with reduction or elimination of taxes on goods, earnings and consumer services, is needed.

G. A. FORSTER.

HOMESITES

Mr. Donohue's claim (Journal 12-72) that chap. 1, book 4, "The Meaning of Distribution" in "The Science of Political Economy" provides basic material relating to his proposals for collecting national revenue, is not understood. That chapter mentions neither homesites nor land and an explanation of the alleged connection would be of interest. It would help also, if Mr. Donohue would elaborate his concluding statement by explaining how unconsumed, partly consumed and fully consumed homesites may be identified.

As to the proposed provision of a heavy penalty for withholding land from use, attention is drawn to the late Sir Winston Churchill's famous statement, "The man or the public body that wishes to put land to its highest use is forced to pay a preliminary fine in land value to the man who is putting it to an inferior use".

With this evil rampant today, I would ask, how could the proposed penalty be applied after land passed from agricultural use so as to prevent huge increases in homesite prices such as the premiums realised on 99 year rent-free leases in the A.C.T.? Such premiums, now exceeding \$7,000, were not realised when similar sites previously carried 5% rentals. Assignments for the land during the time between its former agricultural and its homesites use could be so manipulated as to avoid withholding from use for any substantial period, if at all.

A. J. EDWARDS,
Blackburn, Vic.

MAKING RENT NEAT AND TIDY

Let me add a fourth definition (d) to the list of definitions of Rent published in your December edition.

(d) *Rent* is that portion of the continuing stream of human satisfactions, the enjoyment of which is a function of differential advantages *in situ*.

Rental is the value of sites, expressed on a continuing basis, e.g. from week to week or year to year, whereby the enjoyment of rent is monetarily evaluated as a form of value-in-exchange in the market.

Rental, when publicly appropriated, is the natural source for public revenue. Under these circumstances the equity of the value of land vests in the community and not in the ownership of title, whether or not such title vests in private individuals or in the Crown.

But when, by default of government, rental is not appropriated to revenue, then it attaches to the ownership of title as a source for income to the owner of title. Under these circumstances rental becomes treated as the dividend on an investment which can exchange in the market for valuable consideration. Such value is the capitalisation of the dividend; that it to say, land rental becomes capitalised into land price.

Hence the rental value of land is the natural, healthy form of land value, whereas land price as a lump sum is the pathological form of land value which is the index of the extent to which government is defaulting in its duty towards the revenue of the realm.

But, as I was saying, in terms of its manifestations in the third and fourth quarters of the twentieth century, Rent is that portion of the stream of satisfactions the enjoyment of which is a function of differen-

tial advantages in site. And those satisfactions may be either producer or consumer oriented.

I submit this definition in an attempt to meet the plea by Mr. Edwards that our economic definitions should be, if possible, as semantically neat and tidy—and therefore useful—as those used in physical science. Our satisfaction will be completed when we are able to get our proposals written in effective legislation fashion into the Statute books. The advent of the new Government with members sympathetic to the Georgist viewpoint is both exciting and challenging. Let us do our utmost to help them get it straight.

Canterbury, Vic.

KENNETH N. GINGO.

ORIGIN AND CAUSE OF LAND VALUE

In reply to my desire, Lionel Boorman says "Henry George is not referring to mere hopes or desires or needs but to desires backed by demand—by the ability of the desirer to compete with others with hard cash".

These two alleged causes of land-value (psychological and economic) are so wide apart as to be opposites, and each is unsatisfactory. Desire backed by economic demand negatives intensity of desire. The value and price of every labour-product sold on the market is determined by supply and demand (though increased by the intrusion of taxes and governmentally-created "privilege-rights" which are also sold on the market). But our task is to determine what gives value and price to super-marginal land, which is not a labour-product. To attribute the origin of land value to the economic "desire backed by demand" is to abandon the theory that it is psychological and arises from the intensity of desire for special land, and it also blurs the distinction between land and labour-products by asserting that the value of both land and labour-products is economic.

To attribute land-value to either psychological or economic causes instead of politically-created privilege seems to me strongly non-Georgist. On this point some stalwart and devoted and distinguished Georgists appear to have unwittingly succumbed to a subtle but harmful non-Georgism. There are reasons for this, but the present point is to dispose of the "intensity of desire" theory of the origin of land-value, so that we may return to the probing of the real cause.

Returning, then, to Dr. Pearce's passages quoted by me in support of my contention that land-value is a "capitalisation" of unearned incomes or advantages conferred by unjust laws on land-owners, the basic question re-arises from my letter and from Lionel Boorman's reply: Does economic or equitable rent attach to home-sites and vacant land as it attaches to land which is used for production? The discussion group has always considered it self-evident that no rent can attach to home-sites and vacant land because no production takes place on home-sites. I have come to the opposite conclusion, for the following reason which I must state too briefly, hoping that the points will be amplified and adequately dealt with in subsequent discussions.

All social progress increases rent. The process basically takes place on production-sites, but observation

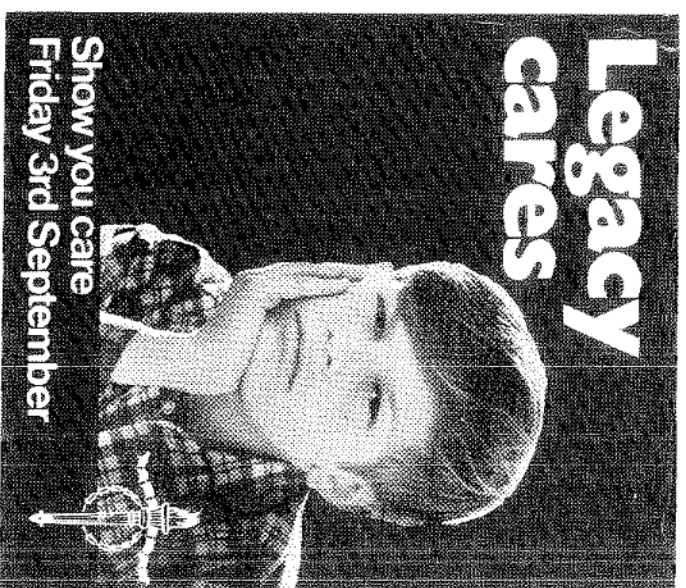
GOOD GOVERNMENT

shows that it is inevitably followed by a similar process on the adjacent home sites and vacant land, varying according to their proximity to the sites in production. The process in vacant land and home-sites is seen to be *causally* related to (i.e. an inevitable consequence of) the increase of rent in the production sites. There is no instance where the one does not follow the other. One striking example is the historic development of the railways of New South Wales, their stimulation of production and rent, and the immediate rise of substantial rent in the adjacent residential areas.

If the rent were publicly appropriated the same process would continue on all sites and be socially healthy. As it is now misappropriated as unearned individual incomes the most conspicuous feature of the situation is the "capitalisation" of the unearned rent on all sites, into the fantastic selling-prices of productive land, vacant land and home-sites.

The public appropriation of the market rent (called economic, equitable or by any other name) will destroy the selling value of all land, restore all land to the people as their heritage and raise wages to their natural level.

W. A. DOWLE



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