

# Good Government

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## Viewpoint

### 'INVESTING' IN LAND VALUES

The availability of land values as a field of speculation diverts human intelligence from socially beneficial to socially destructive activities. If this field were liquidated by appropriate government action in re-asserting the public interest in rent there would be many stable avenues of investment opened up to replace it in a tremendous surge of productive activity.

The amount of suffering flowing from speculative gambling in the basic essential of production is out of all proportion to the relatively small number who appear to benefit from it. In fact there is no real benefit to anybody when the social instability, corruption of ethical values and estrangement of youth caused by it are taken into account.

The financial collapse of such apparently strong companies as Associated Securities, and, earlier Cambridge Credits and Mainline, afford some indication of the traps and penalties that attend the degrading of socially wholesome rent into anti-social speculative land values. A century ago Henry George described the inevitability of powerful corrective forces, inherent in the process of speculation, ultimately dampening or stopping further rises. He wrote (*Progress and Poverty* Book V chap.1):

'That a speculative advance in rent or land values invariably precedes each of these seasons of industrial depression is everywhere clear. That they bear to each other the relations of cause and effect is obvious to whoever considers the necessary relations between land and labour.' He went on to say that comparative activity

would resume when the normal rent line and speculative rent (land values) were brought together:

'(1) By the fall in speculative land values, which is very evident in the reduction of rents and shrinkage of real estate values in the principal cities.

(2) By the increased efficiency of labour, arising from the growth of population and the utilisation of new inventions and discoveries.

(3) By the lowering of the habitual standard of interest and wages. When the equilibrium is thus re-established, a season of renewed activity, culminating in a speculative advance of land values will set in. But wages and interest will not recover their lost ground.'

When public companies, whose 'assets' largely consist of land values, collapse because they have been caught at the unpredictable end of the spiral, many naive investors lose their personal savings and there is regrettably considerable distress. Government responsibility in the process is limited to ensuring that the remaining assets are distributed equitably but otherwise the investors are viewed as properly liable to bear the responsibility for their own actions in the same way that they would be required to do in any form of business activity.

There are, however, many people who are aware of the hazards of this form of 'investment' or, for other reasons, do not regard it as any more legitimate than dealing in chattel slavery but who, nevertheless, are forced into the role of shareholders by irresponsibly negligent governments.

One example of this is the government's purchase of land for welfare housing which has been repeatedly exposed amid allegations of

### THE PRINCIPLES OF GOOD GOVERNMENT

1. The true function of government is to maintain peace and justice. This does not include interfering in national or international trade or commerce, or in the private transactions of its electors—save only as these threaten peace and justice.
2. A democratically controlled and just revenue is available to governments by the collection of all site rents as their sole and proper revenue, at the same time abolishing all taxes, tariffs and unjust privileges of every description.
3. A democratic system of representation by the adoption of proportional representation in multi-seat electorates and simplified provision for the referendum, initiative and recall.
4. A continuous program of education in the economic facts of life to enlighten the electorate.

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

viewpoint

graft corruption and negligence. Another is the sponsorship of so-called growth centres which do not grow and whose dismal failure is in parallel with most government ventures, whether airlines, eggs or shipping, which are outside their capability and function.

In respect of the growth centres the Sydney Morning Herald reported (22/1/79) that they were launched at a time 'when no one, including politicians, could see land prices going anywhere but up'. Although the generalisation is not true and there were many informed people, who had some knowledge of the vagaries of land values, the quotation does highlight the apparently unflinching role of politicians of being in the vanguard of economic ignorance.

In New South Wales two growth centres were launched by the state government with funds (taxes) from the federal government by way of loans. The centres were at Albury-Wodonga and Bathurst-Orange and the rather nebulous concept was that government corporations, set up to manage the centres, would be able to buy, develop and sell enough land to begin repayments to the federal government after a reasonable time of organisation set as the early 1980s.

It is obvious, even at this time, that the schemes have been a complete fiasco and that, not only will they not be able to meet their repayments when they fall due, but there is also a serious doubt as to whether there will be enough income to pay their operating expenses.

By the end of this financial year the federal government will have advanced \$130 million to New South Wales for its growth centres but, because the Albury-Wodonga (NSW) corporation, the greater beneficiary, has only just produced its 1976 report, the whereabouts of most of that money is a mystery. The 1976 report disclosed income of \$203,656, mostly rent for acquired properties, and an operating deficit of \$2.5 million. In that year there were no land sales at all and a year later, when questioned in parliament, the NSW minister for Planning and Environment, Mr Landa, admitted that, since the inception of the corporation in 1974, only 16 residential blocks had been sold and 3 industrial sites leased by companies.

For such a massive outlay of taxpayers money that is an infinitely worse performance than any of the recently bankrupted public companies which were given such prominence in the media. The growth centres will not go into liquidation; they will be bailed out by the taxpayers and those who launched them will doubtless still be paid huge salaries to perpetrate further foolishness.

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## THE LATE G H L CALDWELL

It is with the deepest regret that we record the death on 10th November, 1978 of Mr George Caldwell of Newcastle. He had reached the age of 85 and for many years had been a strong supporter of the Georgist movement. With the late J Israel he had been the chief supporter of the late A G Huie's visits to Newcastle and had arranged meetings for the latter to address. Subsequently he worked in the formation of a branch of the School of Social Science in Newcastle and used his considerable influence in ensuring good attendances at the classes. Our deepest sympathy is extended to his family.

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## AUSTRALIAN SCHOOL OF SOCIAL SCIENCE

The 1979 Summer School and Conference was held on 27th and 28th January at the Women's College, University of Sydney. It was well and enthusiastically supported and included strong representation from our interstate colleagues. Addresses were given by Dr K Suter, 'A Christian Perspective on the Energy Crisis'; E P Middleton, 'What is Good Government?'; Dr L Hemingway, 'Land, Labour and the Existence of Jobs'; and S S Gilchrist and J J Brandon, 'Celebration of the Centenary of the World's Economic Masterpiece: Progress and Poverty'.

It is aimed to reproduce each of the addresses as space permits. Below is that delivered by Mr E P Middleton.

## WHAT IS GOOD GOVERNMENT?

By E P MIDDLETON

If you sought an answer to this question at random from different groups of people, or even from individuals, it is highly probable that you would have a different version every time the question was put.

The political scientist would no doubt enunciate a principal, or set of principles, which would be very different from the simple statement of opinion by, say, the average trade-unionist, or an ordinary member of a political party. Apart from principle, the range of opinion would extend from the extreme concept of authoritarian or totalitarian government to that of anarchism; and this would simply reflect the extremes of thought, or more properly feeling, everywhere evident in the community.

Your daily newspaper provides a good cross-section of views on the subject, from those of its leader-writers to those of the writers of its letters to the editor.

If you take the concept of a good government as one that protects its people against hostile forces beyond the individual's power to defend himself, this can be interpreted in the mind of an enthusiastic socialist to mean protection from every danger likely to arise in life from

the cradle to the grave — so you get 'Medicare', and the whole machinery of the Welfare State.

At the other extreme, you have the dedicated anarchist who is willing to destroy all government and revert to the voluntary combination of free individuals in mutual defence and co-operative organisation. An ideal hardly likely of achievement this side of heaven.

Between these extremes we have the clamour of divergent opinion in the public forum, typified by any election campaign or parliamentary debate. Then there is the 'official' or bureaucratic concept which asserts that good government is that which IS — the 'don't rock the boat' attitude, the extreme conservative viewpoint, the 'status quo' position, based, as much as anything, on protection of the security of the office-holder or public servant invoking it.

In the island territory where I live — Norfolk Island—we are going through the trauma of a change in government which, as far as we can at present see, is merely going to impose upon us, in the name of 'self-government', a form of benevolent despotism only slightly less objectionable than the one we already have. This is government from the 'official' or bureaucratic point of view, designed to preserve the status quo while appearing to make concessions in the direction of 'democracy', that much abused virtue which can be used to justify anything—in our particular case, the continuation of the Australian version of colonialism.

The Encyclopaedia Britannica, in an article on Government, says 'It has been defined in many ways by philosophers and social scientists from Plato to Confucius to the present day...in terms of the END of government...the most commonly acknowledged end, or purpose, having been either JUSTICE or the COMMON GOOD'. It then goes on to say that realists allege that the actual end of government appears to be some sort of self-satisfaction by those who do the governing, such as the acquisition of power, or glory, or riches. Which is in line with the cynical reflection of Ambrose Bierce, the 19th century American editor and satirist, that 'Politics is the conduct of public affairs for private advantage'.

Adam Smith gave us as good a description of good government as one could wish for; he said, in *The Wealth of Nations*: 'According to the system of natural liberty, the sovereign'—and of course he was using the term symbolically, as the late Dr Pearce did, to denote government rather than a personal ruler—'the sovereign has only three duties to perform: firstly, that of protecting the society from the violence and invasion of other independent societies; secondly, of protecting every member of the society from the injustice or oppression of every other member of it, an exact administration of justice; and, thirdly, that of

erecting and maintaining certain public works and public institutions which it can never be for the interest of any individual, or small number of individuals, to erect or maintain'.

How well these principles are being interpreted in the modern world is patently obvious to the most casual observer. Defence is the football of party politics, justice is mostly available to those who can afford it, and the erection and maintenance of public works and institutions has provided opportunities for the indulgence of socialist zeal undreamed of in Adam Smith's day.

This great man said something else of great significance as a reminder of how far we have fallen from the ideal concept of government. You will recall that the statement just quoted began with the words 'According to the system of natural liberty'. Thus he laid down the essential condition precedent to the institution of good government. He then says 'The sovereign is completely discharged from the duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient: the duty of supervising the industry of private people, and of directing it towards the employment most suitable to the interests of society'. Which is a typically elegant 18th century way of saying that government intervention in the ordinary industrial and commercial affairs of individuals is as futile as it is unnatural, as wasteful as it is wrong.

So whose judgement are we to accept? that of this man whose wisdom and knowledge has stood the test of two centuries, and who has been acknowledged as the 'father of the science of economics', or the political utterances of the politicians and officials of our day, with their specious rhetoric in the name of democracy and their devious behaviour in the alleged 'public interest'?

Much of the confusion and dissatisfaction of the present day on this question hinges on that term 'the public interest'. It can of course be used to justify any outrage on the liberty of the subject of which a politician, or his academic 'adviser', is capable of perpetrating. This is done through taxation, through regulations issued under the powers of an official, through the granting of privilege, through the arbitrary prevention of trade and the manipulation of exchange and the control of the banking system.

In the name of 'the public interest' you are forced to disclose details of your private income to officials with power to demand from a third to ninety percent of that income in taxation, to be spent by officials under the instructions of politicians for whatever purpose the latter have the numbers by which to justify it.

In the name of 'the public interest' you can be pushed around by officials who may, or may not have reason to suspect you of bringing into the country from a holiday trip abroad some commodity which has been arbitrarily declared a prohibited import or one on which a tax is due deliberately calculated to destroy any advantage it may possess over a similar one locally produced.

In the name of 'the public interest', you are compelled, under legal penalty, to register a vote in an election to parliament of a candidate of whom you know little or nothing, or whose party affiliation you detest.

In the name of 'the public interest' you are forced to support a system of government based on the bestowal of privileges to those powerful enough to demand them, and on an enormous bureaucracy which increases in numbers and cost year by year.

But what is the *real* public interest? How does it differ from the *private* interest of the individual citizen? Ask any politician this question and you will be told that the public interest means the protection of the private interests of all the people, or, he may concede, the majority of them. And if you ask by whose authority the rights of minorities are ignored or suppressed, he will tell you that this is the process of democracy; and if you press him to explain the democracy of the voting system, or of the taxation system, or of the system of tariff protection of specific industries and the subsidising of others, or of the banking system and the control of money and credit, he will probably be too busy and refer you to the rhetoric of some recent political speech.

Surely, the real public interest IS the private interest of all of us. But this is only possible of effective expression in a state of true freedom, the 'natural liberty', Adam Smith's condition precedent to good government. The words of that remarkable document, the Declaration of Independence of the United States of America admirably proclaim this ideal: 'We hold these truths to be self-evident: that all men are created equal; that they are endowed by their creator with inherent and unalienable rights; that among these rights are life, liberty and the pursuit of happiness; that to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed; that whenever any government becomes destructive of these ends, it is the right of the people to alter or abolish it, and to institute a new government, laying its foundation on such principles and organising its powers in such form that they shall seem most likely to effect their safety and freedom'.

The author of that document, Thomas Jefferson, expounding his ideas of government, said he was for government 'rigorously frugal and simple,

applying all possible savings of the public revenue to the discharge of the national debt; and not for the multiplication of officers and salaries merely to make partisans, and for increasing by every device the public debt on the principle of its being a public blessing'.

Jefferson had a lot more to say on the subject of good government, most of it on the theme of protection of individual rights and liberty. He was, for instance, against over-centralised government which removed it from the people and placed it in the hands of power- and privilege-seeking groups. He was for freedom of religion, freedom of speech and the press, and 'against all violation of the Constitution to silence by force and not by reason the complaints or criticism, just or unjust, of the citizens against their agents'.

And in that Constitution were enshrined the sentiments of that noble document that brought it into being. The accent was on liberty, the inspiring word which was to draw to the land of 'the new world' the hundreds of thousands of liberty-seeking victims of suppression and intolerance in the countries of the old.

The Declaration still stands and is revered by all Americans; the Constitution still proclaims the ideals on which the nation was founded. But what do the people of America think and say about it today? One man wrote a book in 1972 entitled *How the Government Breaks the Law*, which is a shocking expose of corruption and 'cover-up' among officials—the 'agents of the people' in Jefferson's phrase.

Of course the United States of America is not the only country where disillusionment is rife. It is the almost universal condition of those who worry about human rights and the ideals of democracy and good government. You need look no further afield than your own country to recognise the symptoms.

Well, how has this situation come about? Is it due to the inherent inability of mankind to act honestly or intelligently, even in his own best interests? Is it due to over-crowded cities, the ever-increasing urbanization, the denudation of the countryside and the over-mechanisation of agriculture? Is it due to an accelerating over-population? Is it the consequence of past wars and the fear of worse ones to come? Is it due to some basic fault in man's make-up? Arthur Koestler, that brilliant writer and psychologist, thinks there is such a fault, resulting from man's failure to adjust to his environment, having been thrust too hastily, as it were, into human existence from his animal ancestry. This, he says, explains man's 'natural paranoia' evidenced by his constant involvement in warfare of one kind or another throughout his history. It is an intriguing, but to my mind, inadequate theory. Because, for one thing, Koestler, like so many other brilliant scientists, knows very little about the science of economics. And it is

in the field of economics, I submit, the cause of our present dilemma and insecurity are to be found.

Koestler is not alone in this respect, of course. Many professors, lecturers and writers of economics appear to be astonishingly ignorant of the basic principles of the science they profess to teach. The evidence is all around us, in the conflicting views and theories being tossed into the arena of thought, through seminars and speeches and articles and books by the thousand.

Recently, I came across a book, newly published at great expense, which is a collection of essays by an economist writing in the early years of this century, consisting of brilliant analyses and criticisms of many well-known economists of his own and earlier days. Names like Adam Smith, Ricardo, J S Mill, Marshall, and dozens of lesser members of the profession fill the pages of the book. The reason for the reprinting of these essays appears to be to justify the persistence of a theory still being propagated by a certain school of economic thought, to the effect that *land is capital*, which astonishing idea is presented with great skill by the writer in question. (His name, for those who may be curious enough to enquire, is Frank A Fetter, an expatriot German living in America.)

As another, perhaps less startling example, I might mention the professor of economics, recently visiting my home territory, who, in a discussion on taxation, said he remembered that Adam Smith had devised a set of 'canons of taxation'; but he was a bit vague about them and let the subject drop without any attempt to stress their significance.

This year is being celebrated around the world as the centenary of the publication of a remarkable book by a remarkable man who set himself the task of discovering the reason for the persistence of poverty with the march of progress in the material world. The man was remarkable for the astonishing knowledge and erudition he acquired in a life of humble beginnings and anything but affluent conditions as long as he lived, and for the great light he shed on the confusion and humbug of his day among the exponents of the science of political economy. The book, of course, was *PROGRESS AND POVERTY*, and the man Henry George.

It is a measure of the disgraceful condition of the present-day science of economics, that neither this book nor its author get more than a fleeting mention—often no mention at all—in the writings and speeches of those who purport to be the leaders in modern economic thought. This deliberate exclusion of *Progress and Poverty* from academic consideration is occasionally justified, when challenged, by the assertion that the book was, in George's own

words, not a textbook. A specious argument, of course, because however that may be strictly true, George's grasp and exposition of the philosophy of the true political economy is unchallengeable, and unchallenged. Furthermore, he did produce a textbook in his *The Science of Political Economy*, which gets even less recognition, and regrettably has never received the attention it deserves even among members of the Georgeist Movement.

The professional conspiracy of silence on both these books and their author is a disgrace which some day will be expunged by a generation of truth-seekers. One can only hope this occurs before the catastrophe, which George foresaw as a possibility, of the collapse of economic systems around the world, actually comes about. God knows there are ample signs already of this imminent possibility.

That digression—which I hope you will forgive (call it a commercial for the 'Progress and Poverty Centennial')—is not without purpose. It was to support my point that it is largely because of the confusion among those teaching and practicing what passes for economics today, and their failure to separate economic principles from the strangling clutter of political acts and policies, which is responsible for the existing state of affairs.

If we go back to Adam Smith's three simple 'duties' of government—the defence of the realm, the maintenance of justice and the creating of public works and institutions beyond the capacity of individual citizens—what relationship can we find between this concept and the system of government under which we suffer today? Precious little of course. The very mercantilism which Adam Smith spent so much time and pains to expose, is rampant in our society, brought about by the political power of groups intent on monopoly, and the surrender of the economists to expediency instead of principle.

The rot began with the demise of the liberalism of the 19th Century, in its failure to solve the problem of the distribution of wealth, and the consequent rise of socialism. Socialism has little to do with economics—except to stand economics on its head. But it had a natural appeal to a world in which poverty and degradation were increasing with the march of progress, and in which the economists had no answer to the problem. Little wonder, therefore, that in the kind of situation in which the modern world found itself at the termination of the first world war, anyone with the trappings of academic success, a facility with words and the promise of a shining new light to illumine the darkness and confusion, should be listened to with respect.

Such an innovator was John Maynard Keynes. He was hailed as the author of an economic revolution—today widely recognised as a myth,

FEBRUARY, 1979

and its author something of a charlatan. This is neither the time nor the place for an essay on Keynes and his disastrous influence on economic opinion throughout the world since the 1930's. Suffice it for our present purpose to point to a few facts to demonstrate the consequences of that influence. One such fact is important to an understanding of the man and his theories; this is that he was basically a socialist, conforming to the current 'progressive' or left-leaning movement of the day, led by such socialist academics as Professor Harold Lasky of the London School of Economics. Secondly, his whole economic philosophy could be described as monetarist, which is based of course on the myth that money is wealth, as all his writings proclaim. How profound his version of economic wisdom has proved to be may be seen in this quotation from his *Treatise on Money*, written in 1930: 'If we have complete control both of the earnings (wages) system and of the currency (money supply) system, we can stabilise the purchasing power of money, its labour power, or anything else—without running the risk of setting up social and economic frictions or of causing waste'. Examine that statement in the light of the present world situation after a quarter of a century of Keynesian policies—and you have evaluated the extent of his 'economic revolution'.

Now, the significance of my dwelling on Keynes and his baleful influence is that he was virtually the founder of the system of 'economic management' which dominates government policy throughout most of the world today. Keynes invented macro-economics and today there is scarcely a writer on economics who does not use the term as the basis of his credo. Macro-economics is simply the application of socialist 'economic' theory to government. This is the kind of economic wisdom to which the academics of our time have sold themselves. It is highlighted by such statements as that by Professor Wheelwright, writing in *Australian Capitalism*, in 1972; he said 'It is a fair question now whether sound academic distinction can be made between political science and economics'. It is this failure to distinguish the boundaries of the sciences of economics and politics that is largely responsible for the present world situation.

'Economic management' is an anachronism. It is based on the erroneous supposition that the economy is a system or organisation created by politicians and requiring political management to keep it stable and constantly expanding. The truth is, of course, as Adam Smith, and Henry George after him, demonstrated, the economy is a natural organism arising out of a community engaged in the natural business of exchange in the mutual satisfaction of their various material desires and needs and responding to the natural law of the distribution of wealth, by which labour receives its full and proper reward, invested capital its true interest and the

society as a whole its proper revenue in the Surplus Product arising out of the total production through the division of labour,—that is in the economic rent of the sites used in that production.

In such a society 'Government' in the words of the Declaration of Independence, 'is instituted among men, deriving its just powers from the consent of the governed'. Such a government protects the liberty of the individual to live his own life in the natural co-operative competitive system of free exchange without interference so long as his freedom guarantees the equal freedom of all his contemporaries. Such a government maintains the balance of true justice, using its power of coercion only to protect the citizens' individual rights. Such a government refrains from interference in the normal processes of international trade conducted by its citizens, and does not permit its relations with other countries to become the plaything of party politics. Such a government refrains from imposing taxes on individual and corporate wealth or from drawing tribute from the exchanges of its citizens, like a brigand at the crossroads, in order to maintain an army of officials in unproductive employment, but draws its sustenance from that part of production which is called Rent, its proper and natural revenue. Such government is GOOD GOVERNMENT.

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#### LETTER TO THE EDITOR --INTEREST

##### THE PRACTICALITIES ON INTEREST

Sir—Showing where most of the major economists have commonly slipped, Mr Cannon (August G.G.) gave us a very practical view on 'Interest and its Causes'.

He made the statement that, at base, interest is the price paid for the use of money. He observed that this rises while speculators make profits during land booms and adjusts downward when the land fever collapses upon itself. He suggested that, were production not impeded by land monopoly and its side-kicks, this decline would bring the interest rate near to zero.

In seeming criticism, but with hard-to-follow theory, Mr Donohue (Dec. G.G.) fails to say precisely where Mr Cannon might be wrong.

Theory aside, the practicality of the Cannon approach shows up when one asks what would happen to commercial rates were it impossible to invest in land so as thereafter to draw site-rent in perpetuity.

Clearly, accumulated savings then could go only into buildings, machines and other inventory items that all require labour to protect them against theft, decay or obsolescence. Like the very practical goldsmiths of long ago, borrowers then would be doing their lenders a good turn—and for a fee!

So, in that halcyon day when the site-rent is no longer applied by the title holder to his private enrichment, interest rates will cease to be the financial scourge they now are and, rather than being 'the price paid for the use of

money', could become 'the cost to the owner of money for the non-use of it'.

Mr Cannon's approach seems the practical one. What do other readers think?

W H PITT

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## JOHN DEWEY ON LAND VALUES

"But the most striking illustration of the creation of values by society is seen in the case of land. That an acre of land (apart from the improvements) in one part of the country is worth 50 dollars and in another part 200,000 dollars is not due to any difference in the soil, nor to any labour or skill or other quality of the owner. It is due to the fact that in the one case there is no social demand, whereas in the other the land is in the heart of a city.... The absentee owner profits as much by the growth of the city as the foremost contributor to that growth. The owner need not even improve the property by a building. This enormous increase in land-values has been called the 'unearned increment'. In America it is due very largely to features of natural location and transportation. It has seemed to such writers as Henry George not only a conspicuous injustice but the root of all economic evil. It is, no doubt, in many cases a conspicuous example of 'easy money', but the principle is not different from that which is involved in nearly all departments of modern industry. The wealth of modern society is really a gigantic pool. No individual knows how much he creates; it is a social product. To estimate what any one should receive by an attempted estimate of what he has individually contributed is absolutely impossible."

### COMMENTARY

This passage is welcome in an age when the most obvious truths of the social order and disorder seem hidden from the masses. It is found on page 510 of *Ethics* by John Dewey and J H Tufts (1908). However, the passage is not free from some errors and confusions. For instance, the growth of land-values with the growth of population and technological progress is not an injustice at all (assuming that the phrase land-value is used as Henry George used it, to mean economic rent). It is the misappropriation of the rent that is unjust.

### INDIVIDUALS AND SOCIETY

There are, however, two confusions in the latter part of the passage which deserve close attention, because they are basic to an understanding of the economy.

(a) Contrary to the prevailing illusion that 'society' produces all or most wealth and services today, the truth is that they are all produced by individuals, associated by trade and exchange but nevertheless individuals. In other words, there is no such thing as production by society, although there is social or associated

production because man is social by nature and never more so than when he is economically producing. One often hears it said that electricity is produced by society, but if half-a-dozen key workers go on strike (or even one in some cases) the whole production stops, i.e. each worker ceases production. Production is an activity of co-operative individual workers, not of society.

(b) The task of calculating how much each individual contributes to the total production of wealth and services certainly cannot be consciously performed by any human being or government however learned and clever. But it is easily and efficiently performed by the free market, i.e. by competition. Total production is the product of the effort of hand and brain of countless individuals, each of whose labour contains the element of initiative which is individual. The individual must brace himself, assess the job and the attack which it requires, and launch himself into the mastery of it. The effort in a free market is essentially economic and therefore competitive. How competition secures the highest possible wages for each producer, and eliminates incomes for non-producers, can be understood only by those who understand what wages are, i.e. the net product of the labour, and that trade is the exchange of products. Competition ensures that the effort is reduced to a minimum and that the greatest product is thereby produced. Exchange, an essential part of production, intensifies the competition and ensures that every person involved in the production, by dividing the labour, and producing and using capital, and using all sites competitively and on equal terms, receives the greatest possible reward, i.e. the total final net product.

Not one jot of wealth or services is produced by land or by capital or by governments as such or by the 'community generally' (society). It is all produced by labour, i.e. by individuals associated in the great social economy, i.e. world-wide trade or exchange.

This in no way affects the great social truth that the community, i.e. society, is entitled to receive the economic rent, which is the additional product of associated individual labour which results from the economies arising from and attached to all sites within the margin. See *Progress and Poverty, (Distribution of Wealth)*.

Each individual labourer produces his own wages, including the increase due to trade and the division of labour and the use of capital. But the increased product due to the economic use of sites, which though produced by individuals is produced without any additional effort by any individual, is clearly that part of the total product to which all are entitled.

### DISTRIBUTION

The total product of human associated labour,

ONLY ETHICAL SOLUTION TO THE RHODESIAN CONFLICT*(Submitted to Sydney Morning Herald)*

economically divided and exchanging and freely using (invested or clothed in) capital, and economically using the advantageous sites, is distributed into rent and wages (not rent, wages and interest: *Progress and Poverty*, Book III, Chap. 5 last par.). Both wages and rent are the wages of individual producers, each of whom in a free and just society will, by the natural law of distribution, receive the market value of his true product. Political Economy is in no way concerned with what he 'should' receive — a matter of ethics, but ethics in no way conflicts with any other science. By the same natural law society will without human planning or effort receive its rightful (ethical) share of the total product.

In the economic process of production (i.e. by exchange) the product actually comes into the hands and into the control of the producer or his co-producers. The extent to which he and they are robbed of their products (i.e. their wages) after the production is finished is not an economic question. It is an ethical problem, within the sphere of politics, and is solved by the three-fold principle of freedom, equality and justice.

W A DOWE

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## ABRAHAM LINCOLN

Among the famous sayings attributed to Lincoln are:

1. 'Whether God is on our side does not worry me. What worries me is whether we are on God's side'.
2. 'No question is ever settled till it is settled right'.

The latter saying inspired Ella Wheeler Wilcox to write:

'However the battle is ended, though the victor comes

With fluttering flags and dancing nags

And echoing roll of drums

Still truth proclaims this motto in letters of living light:

No question is ever settled till it is settled right'.

Like his great contemporary Richard Cobden Lincoln realised that after the slavery question had been settled the great battle for human rights was still on and would never be settled till it was settled right.

The free and equal right of every individual to the earth, and to the trading sites, cannot be settled by superficial measures. It must be settled right.

If any reader does not know how to settle it right, let him read (not skim) *Progress and Poverty* by Henry George, and so participate enjoyably in the celebration of the Centenary of that great book in 1979. To obtain a copy, consult the back page of this journal.

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Sir — I am writing this letter in desperation at what is happening in Rhodesia, as I see what I regard as the most justly governed country in Africa, injured and insulted on every side, condemned by international terror and indifference to bloodshed and the emigration of her most productive inhabitants.

Although I know that Rhodesia has only survived to this day because her economy is among the freest in the world, I do not know how much longer she can survive unless her government extends the principle of free trade to its final and logical conclusion.

I am referring to the absolute moral and practical necessity of the Rhodesian government taxing the full value of all unimproved land and natural resources ownership, while simultaneously abolishing all taxation on the productivity of labour and capital without further delay.

I recall that according to a report about the massacre of survivors from the airliner shot down near Kariba recently, before shooting their victims, the terrorists said: 'You have taken our land. We are going to kill you all'. Without condoning this excuse for war crime, full land value taxation, administered by universal suffrage, multi-party, representative government, is the only way I know, by which all the people of Rhodesia, irrespective of individual productivity, may enjoy a fair share in the ownership of their land, without detriment to the national economy.

On the contrary, it is the only form of taxation, of which I have ever heard, which instead of crippling the individual's incentive and making it more profitable for him to hold natural resources out of production, actually forces him to realize their value by producing that wealth on which the wealth of all depends, while relieving him of taxation on that part of the wealth due to his own labour and capital.

All I ask the defenders and enemies of Rhodesia alike is: what other policy can meet the just demand of the unenfranchised majority for political equality, while safeguarding the right of the individual to the full reward of his own labour and capital? What other policy can guarantee that the majority will protect the rights of the individual in its own interest? What other policy can delineate so equitably a rationally and morally defensible relationship between the individual and the state?

I recall that in Vietnam, the free world tried to defend freedom in alliance with landlords. In Rhodesia, I see that it is now trying to do so in alliance with terrorists, who although opposed to landlordism, are equally opposed to



multi-party representative government and the rights of the individual to the ownership of his own labour and capital.

I am wondering when the governments of the free world will condescend to understand, let alone defend, those values of conduct, which are not only consonant with Man's freedom, but which can alone sustain it—whether in Rhodesia or anywhere else. I warn that they will only begin to do so when they learn to distinguish between the ethics of unearned 'property rights' in land and Man's earned and inalienable right to full ownership of his own labour and capital.

C STANTON R MILL Kirribilli NSW  
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#### PRIVATE LICENSE FOR CAPITAL, OR FREE TRADE

*(Submitted to Sydney Morning Herald)*

Sir—I refer to your report ('Herald' September 23rd) on Mr Lang Hancock's address to a lunch meeting of businessmen, in which he observed that Man was free to do almost anything today, except to produce wealth.

I recall, however, that of the two mutually indispensable productive groups, capital and labour, it was capital which undermined free trade in the world by obtaining government protection for itself in the form of tariffs, quotas, monopolistic franchises and licenses against competitors, long before labour climbed aboard the same band-wagon to deliver the 'coup de grace'.

Furthermore, by allying itself with landed interests at home and imperialistic adventure and territorial annexation abroad, and by frustrating all attempts of liberal nineteenth century governments to apply the free trade principle of land value taxation to land and natural resource tenure, I would remind Mr Hancock that it was capital which betrayed the interests of labour, and not vice versa.

I conclude that it would be premature to become too euphoric about the prospect of capital's late re-discovery of the free trade principle, until it ceases dealing in land and natural resource 'rights' speculation, bows to the justice of full land value taxation, and renounces for ever all forms of government-protected privilege for itself, just as much as for labour.

C STANTON R MILL Kirribilli NSW  
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#### THE ROLE OF GOVERNMENT

*(Published in Sydney Morning Herald, 20.1.79)*

Sir — In criticising the view expressed in your editorial of January 11 that the young unemployed are casualties of experiments in education, Barry Manefield provides, albeit unwittingly, the real clue to the cause of this deplorable and painful symptom of disease in our

economic organism when he asserts that the responsibility for lack of jobs for our young unemployed rests, not with education, but with governments.

Are educators never going to free themselves from the erroneous assumption that the economy is merely some kind of political integration or connivance that cannot function without constant political manipulation?

How much economic chaos and industrial conflict must society suffer before our educators get the message that society is not just a sandheap of separate organisms held precariously together by the sanctions of a paternalistic State; that the nucleus of a social economy is antecedent to any State or government, being formed simply by the ability of men to think things out, by their competence to make use of natural resources; and, through exchange or trade, make use of the talents of other men?

How long must the economy stagger from one crisis to another before they recognise the fact that the State is only a superstructure; an index of a civilisation, nourished by an efficient economy, already in existence? That indeed there cannot be any government until the economy has reached a degree of efficiency that enables society to release some of its members from the drudgery of producing its material needs for the higher duties that constitute government.

Just because the State is easy to see and comes first in our ears it should never be seen as anything more than a natural means which social man has hit upon to safeguard his rights. The existing economic muckheap will not be cleaned up until our educators are equipped to lead us away from political nostrums into economic sanity.

E B DONOHUE Croydon NSW  
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#### WORK FOR ALL

*(Published in CHURCH SCENE, 18.1.79)*

Sir — Archbishop Sambell has disappointingly succumbed to the modern fatalistic outlook that there will never be a return to full employment.

In spite of his most commendable concern and motives his 'conclusion' reveals that, like so many of his contemporaries including so-called 'economists', he has never studied genuine economics, i.e. he does not understand the economy.

He must attribute the impossibility of a return to full employment either to invincible ignorance by the community and its government or to the decree of the Creator. The latter 'conclusion' was asserted by Malthus who attributed the inevitability of poverty, and by the 'peculiar institution' supporters of slavery,

to the 'natural and unchangeable order'.

As I do not attribute poverty to the Creator I must logically attribute it to injustice based on ignorance, and I am therefore under a moral obligation to endeavour to dispel the ignorance which both causes and condones the injustice which results in our major social scourges, including unemployment.

Unemployment does not mean simply not working, i.e. idleness or leisure. It means exclusion from the economy, i.e. the inability to find an opportunity to take part in the world-wide system of production and exchange.

The economy is that network of production and exchange to which all producers of goods and services contribute by labour and from which they draw out the goods and services which they require.

In the final analysis the economy consists of only two basic factors, the earth (in economics called land) from which all supplies are drawn, and producing human beings (in economics called labour). The latter are not a mass or abstraction, but individual men who can always find employment if they have free access to the land and to the market. In Australia, as elsewhere, both these opportunities are denied to the majority of the human race by misgovernment, i.e. injustice.

How then can full employment be restored? In 1879 appeared the greatest of all books on this subject: Henry George's *Progress And Poverty*. It shows clearly the basic injustice from which we all suffer, and how that injustice can be removed. Very briefly and inadequately, equal rights in the land and trading sites, and the removal of taxes and restrictions on trade, are the basic necessities. Without these men are socially disinherited, and no governmental paternalism or welfare state can re-inherit them. 'For every wrong there is a remedy, the abolition of the wrong.'

I appeal to the archbishop, and all others of good will, to read the book. Supplies can be obtained through me if necessary. We sell the book at less than cost price. Unemployment, and poverty amidst affluence, are not inevitable.  
W A DOWE  
Lakemba NSW  
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FREE LAND MEANS FREE MEN

(Published in North Shore Times 8.11.78)

Sir - I refer to a letter from Mr H Bracken, North Shore Times, Oct 11.

This debate, as he says, is on 'the price of labour'—one of the two factors in production. The other factor, which he very conveniently left out—is the price of land.

Land values in NSW now exceed \$30,000 million and in 1909 were only \$136 million for the same dirty dirt.

How they have skyrocketed all over the world, I will leave to your imagination.

Let us consider the primary basic fact of nature—no one made the earth, our land, so how can anyone own it, and hold the whole world to ransom as this privileged elite are now doing in charging a site rent for all the good land?

To make the matter infinitely worse, all land site rents are publicly produced for public purposes and it remains so in perpetuity irrespective of Karl Marx, Keynes, or any other celebrity Mr Bracken may produce—monkey tricks are useless.

It is simple common nature you are dealing with and nature is supreme in all things. It's worse than folly to try to prove it otherwise.

Labour produces the wealth of the world and that cannot be denied. Capital and land are useless without labour.

Land site rent for government instead of our hideous stupid universal taxation and then (and only then) will there be more jobs than there are men and women to fill the jobs offering.

Free land means free men!

What surprised me most is that 'the views expressed (by Mr Bracken) are so divorced from reason, reality and the basic (natural) understanding of economics'.

Mr Bracken complains about a shorter working week; why can't he be consistent and advocate the doubling and even tripling the hours to 80 or even 120 per week?

Read the Law of Rent in *Progress and Poverty* by H George so as to stop being a 'dreamer'.

B PERRY  
Redfern NSW  
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THE ETERNAL TRUTH

The following quotation from St Thomas Aquinas' *De Reginine Judaeorum* (1269 A.D.), being a reply to some questions put to him in Paris by the Duchess of Brabant, was supplied to us by the late Dr H G Pearce, to whom the whole of society is indebted for so many services during his long and strenuous and fruitful life:

"Sixthly you asked whether it is permissible for you to tax your Christian subjects; in which matter you should recollect that the lords of lands are set up by God not indeed that they may seek their own gain, but that they may ensure the common benefit of the people.

For in condemnation of such lords it is said in Ezekiel XXII: 'The lords are in their midst like ravening wolves...' and elsewhere through one of the prophets it is said: 'Woe to the pastors of Israel who have fed just themselves.. but have not fed my people'.

Hence the rents of lands are set up for the princes, in order that by existing upon them they may abstain from spoliation of their subjects.

Hence in the same prophet, by the command of the Lord, it is said that 'to the prince there shall be a possession in Israel and the princes shall not despoil my people any further than that'."

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## NEW MONEY SOURCES AND PROFIT MOTIVES

By Shann Turnbull, B.Sc, MBA (Harvard)  
(Published by the Company Directors Association  
of Australia Ltd.)

A REVIEW by E P MIDDLETON

This book is a brilliantly written, sincere and enlightened attempt to correct the more glaring defects of the present capitalist system, by introducing a number of 'novel' proposals (the author's own adjective) for its transformation by a variety of co-operative operations, chiefly designed to break up the concentrations of wealth and power in the hands of the multinational corporations.

The author knows the system from the inside, as it were, having an impressive educational and business record, describing himself as a financial entrepreneur and adviser, his vocation as 'developing ideas, people and organisations' and his politics as 'social capitalism'.

The purpose of the book (first published in 1975), as set out in a preface, is 'to describe a new approach for democratising the wealth of nations. This approach has been made possible through the development of capitalistic techniques for distributing wealth'. This 'new approach' is based on the ideas of Louis Kelso, an American whose 'innovative economic structure is known as the Employee Share Ownership Plan (ESOP), or Kelso Plan' which has apparently taken on widely in the USA.

Turnbull has devised three other schemes as extensions and/or additions to the Kelso Plan which, together with it, comprise his 'Social Capitalism'. It should be emphasised that the total scheme is much more than a development of the idea of 'profit sharing'.

As justification for the innovations proposed, the author's main contention is that, whereas economists and social scientists have concentrated their attention on the need for a re-distribution of income, it is wealth in the form of assets which should be the object of reform. In simple terms, the method by which this is to be achieved is in the use of the modern technique of borrowing on the security of future income to provide the purchase-price of assets to be 'democratised'. In this way, Turnbull contends, the great concentrations of corporate wealth (and power) will be broken up and the gross inequities of the present system eliminated.

The 'Turnbull Plan' comprises Kelso's ESOP plus three other proposals: Ownership Transfer Corporation (OTC), Land Bank and Producer-Consumer Co-operative (PCC). While ESOP and OTC offer the mechanism for 'democratising' business and corporation assets, Land Bank provides for the sharing of the land values of a community, or region, according to the contribution of site owners to the creation of such 'values', and PCC

is designed to share the proceeds of 'depletable natural resources'. It is, of course, in the latter two proposals that Georgists will be most interested.

In toto, the Turnbull Plan provides, in the author's words, 'a capitalistic alternative for achieving some of the idealistic objectives of Karl Marx: (a) the introduction of change into society on a continuous basis, but without revolution, (b) the democratising of industry, but avoiding the transitory phase of state ownership, and (c) the withering away of the state, but by natural attrition, not anarchy. And the 'new society' which the author claims will emerge from adoption of the Plan would 'distribute economic benefits according to the credo of

From each according to his interest,  
To each according to his contribution,  
Provided the basic needs of all are fulfilled'.  
A credo which Georgists will immediately approve, while pointing out that its principles are ideally achievable by the adoption of true *laissez faire*.

Which brings us to the basic assumption on which the Plan is founded, which is that the ideal transformation of the economy may only be achieved by technical changes in 'management' of the economy; whereas, the economy has to be seen as an *organism* with its own natural laws which, if allowed to operate in freedom, would achieve the ideal without technical manipulation or intervention.

We must go further from this point and assert that, excellent as the Plan is in design and objectives, it represents no more than a clever palliative. It is not, and cannot be the final answer to the enigma of the maldistribution of wealth; the reason being that it takes no account of the vital part played by Rent in the economic equation—'Wealth = Rent, Wages and Interest'. The distribution of wealth is by wages to labour, interest to capital and rent, as the Surplus Product, to the profit of association, the true recipient of which is the total community—as the proper national revenue.

This failure to deal with the role of Rent is exemplified by the attention given throughout the book to 'land values'. It is a simple case of dealing with an effect instead of a cause. In elaboration of the Land Bank idea, for instance, land value is treated as an important part of the wealth to be shared by the holders of Land Bank shares. This is like sharing the 'wealth' derived from a gambling syndicate, or, more appropriately, the proceeds of a bank robbery.

The vital error in this is the underlying assumption that land values are a permanent and cumulative feature of the economy, whereas in fact they are an ephemeral and destructive element arising out of the private appropriation of Rent instead of its collection by the state as its proper revenue. Land value would disappear the day after the passing of an Act

authorising the public appropriation of the economic rent of all the land of Australia as the proper revenue of its government, in place of taxation and all other forms of assaults on the production of true wealth.

Thus the author's emphasis on the need to concentrate on the distribution or sharing of assets (wealth) instead of income, is mistaken. Real wealth arises only from production (labour applied to land) which returns income which, in turn, builds assets (capital). Therefore, to correct the maldistribution of income would achieve equity in wealth (capital) ownership. This would shut the stable door before the horse gets out, instead of chasing after it as it escapes. The way to do this is to abolish the obstacles to the ability of people to derive maximum income from their labour. These obstacles are taxation, artificial barriers to trade, government intervention and the cost of bureaucracy.

The concept of the Land Bank, ignoring for the moment the false assumption of 'land value wealth', has advantages from the point of view of co-operative ownership, and from the elimination of such evils of the present system of local government as 'rates' based on land values and excessive bureaucracy. Co-operative ownership of a residential area, such as a newly-created housing estate, could have the advantage of involvement of all residents in conservation and environmental problems and general improvements and amenities. 'Land value', in respect of homesites, may be considered as a part of private wealth of the site owners, so long as a free market exists in respect of such sites. This free market could only exist, of course, after the present artificial scarcity of such sites had been destroyed (by the public appropriation of the economic rent). The nature and extent of such homesite 'land value', in a free market situation, would relate solely to advantages of location and the use made of the natural features of the site by the homeowner. It could, as such, have no impact on the economy as a whole since such sites are no longer in the economy and, therefore, no longer a factor in wealth production and the distribution of incomes in rent, wages or interest.

It may be noted that the Land Bank concept is similar to the principles adopted in such enclaves as that of 'Fairhope, Alabama. The increasing land value is used to pay the 'rates and taxes' of all the individual owners. Beyond this, it offers no amelioration of the general system of taxation and all the other evils of the present politico-economic system, including of course inflation.

Mr Turnbull relies, for part of his general argument, on a quotation from J S Mill: 'The distribution of wealth, therefore, depends on the laws and customs of society'. And he suggests that by changing 'the rules and procedures for owning wealth' the distribution of wealth may be more equitably effected. But he

has taken J S Mill to mean something he did not. The words quoted indicate Mill's recognition of the situation as it existed, not as it ought to be. He was well aware (as a more thorough reading of his *Principles of Political Economy* will show) that there is a natural law governing

the distribution of wealth, as there is of its production. This law may be, as it undoubtedly is, abrogated by society in instituting its own laws and customs, such as by legally constituted privilege, but it is so abrogated only to the peril of the economy, as is evidenced by the state of the world today.

It is the failure to perceive this fact that has led to the confusion of economists since Adam Smith and J S Mill and to the final distortion of economic truth in the concept of 'economic management' and all the falsities and misleading jargon of Keynesianism.

The concept of National Assets and Liabilities, and the drafting of National Accounts, which Turnbull takes for granted, are a legacy of the socialist doctrine of collective ownership as a corrective of the alleged inefficiency and waste inherent in the competitive capitalist society. The things that constitute real national assets are: (1) the land of the nation, the 'producer' of the Surplus Product—Rent Revenue; (2) buildings (and of course sites) which accommodate essential services, such as the police, courts of justice, the parliament, etc.; (3) minerals and other extractable wealth which will generate national income in the form of royalties and/or rentals; (4) art and similar treasures acquired or given to the nation in trusteeship.

The present mechanism of National Accounts is an anachronism based on the unjustifiable assumption that the economy requires to be 'managed'. The 'economic cake', to which the author frequently refers in his discussion of the distribution of national wealth, is a cliché invented by economics writers in their ignorance of what the economy really is. Similarly, the idea of the 'top and bottom layers' (income and assets), is an anachronism in the context of private property, respect for which is the much-publicised principle of conservative and liberal thinkers alike, just as is the widely-accepted concept of the 'public' and 'private' sectors of the 'mixed economy'. (Which Professor Samuelson and other renowned economists accept as normal and propagate in their textbooks).

To speak of increasing the size of the 'economic cake' of a nation by increasing the output of its 'workforce' is likewise anachronistic. The concept of the 'workforce' arises naturally out of the socialistic concept of economic management as the duty of governments. It belongs in the police state, not in the 'market economy'. The output of industrial enterprises is rightly no concern of governments. The sole *raison d'être* of

government is the maintenance of justice and the keeping of the peace.

Similarly, the involvement of government in foreign exchange and 'balance of payment' problems, through the operations of multinational corporations, is another offspring of the socialist theory of economic management.

Once trade is freed from the stultifying effects of political interference and the market is allowed to operate normally, foreign exchange will revert to being the concern of those whose interests create it in the normal course of commerce and of no one else.

Mr Turnbull concedes that it is desirable to 'reduce the need for government'. The question is by how much? Sundry references to the continuing use of taxation, customs duties and tariffs throughout his book suggests that the answer is: very little. Yet he acknowledges that taxes constitute 'disincentives for production' (p22). For instance, his description of the various ways in which accountants and economists report the profit of a corporation is a tacit acceptance of the need to live with the taxation system and its disincentives. There is no indication that taxation, a form of pillage which could be stopped tomorrow by the public appropriation of the economic rent, is a major contributor to the economic malaise which is his concern, a major ingredient in the overall destructive evil of inflation. Despite which, he says 'tax legislation constitutes in itself a major defect of corporate capitalism and is crippling the system'. (The most degrading form of this 'pillage' is in the huge sums governments at present draw in taxation of the proceeds of various forms of gambling—\$60 million in NSW in 1978 from the proceeds of 'poker machines' alone, not to mention off-course betting and lotteries).

In discussing aspects of the modern financial scene, the author refers to 'pyramiding' which frequently leads to disastrous financial collapse (p43) based, for the most part of course, on the expectation of increases in land values. This passage is particularly interesting for its reference to the political methods available to stave off the consequences to both the individuals involved and the economy in which it occurs. He makes the sound, if ironic, observation that 'success in big business can become more an activity of establishing political obligations and involvements than one of creating goods and services'.

Turnbull offers some original comment on the 'work ethic' and its part in the 'traditional' method of production and the creation of wealth which is still the preoccupation of politicians and labour leaders alike. The myth of 'full employment' is very much in evidence (Henry Hazlitt, in his *Economics in One Lesson*, says 'Hitler created full employment'.) But he seems to fall back on the old Wage Fund Theory when he

speaks of changing the emphasis to the provision of technical equipment as a labour substitute; the inference being that capital is the prime factor in the order of production instead of labour.

The proposals for the investment of borrowed capital in order to facilitate the production of 'procreative assets' is intriguing. Turnbull points out that it is available as a method in 'private ownership economies', involving a new attitude on the part of investors used to the traditional concept of investment only of accumulated savings. In his discussion of it (p47) he stresses its importance in eliminating the factor of availability of funds being a possible restriction of 'economic growth'. From which it may be presumed that he has no criticism to offer on the theory of 'economic growth', which is being challenged around the world by conservationists and environmentalists, not to mention some of the more enlightened economists.

What needs to be proved about the concept of 'economic growth' is how much it depends on the continuation of the private appropriation of the economic rent. If the latter is collected as national revenue and government intervention eliminated, the artificial base (land value) of 'economic growth' would largely disappear and normal growth would be a matter of private or corporate concern, dependent on the success of enterprise alone.

The relevance of this dependence of 'growth' on land value is illustrated by the opening paragraph of chapter 11, in which Turnbull says 'property income can create wealth both directly from its accumulation and indirectly from the appreciation in the value of asset ownership'. It cannot be emphasised too strongly that the only real wealth created by the ownership of property is the result of production by the owner (e.g. from a factory) or from the rental of a tenant similarly engaged.

'Nationalisation' is rightly shown as a destroyer of incentive and an inhibitor of personal freedom, yet he seems to accept the existence of government-owned enterprises without comment. On the other hand, he does not seem to discriminate between total nationalisation and its application to national resources, such as mineral deposits, natural forests and water sources, etc. The public right of ownership of these is generally unquestioned and implicit in the law and practice respecting prospecting and the payment of royalties. What is wrong with the existing situation in this regard is the opportunities for exploitation, not of the resources themselves but of the public rights in the resultant wealth through privilege and monopoly, in other words by political interference with the free market.

While the proposal of the Producer-Consumer Co-operative (PCC) is a well devised attempt to

correct this situation, it cannot equal the simplicity and efficiency of a system of public auctions of the right to exploit particular resources on the basis of royalties and/or rentals, such as was so successful in respect of the great Alaskan oilfield of Prudhoe Bay in 1976.

Mr Turnbull's proposals represent an admirable attempt to secure a just distribution of wealth by universal enjoyment of a 'national dividend'. These proposals depend for their success on the understanding and willingness of people to combine in co-operative, rather than individual ownership and enterprise. However successful such innovations may be, they will continue to be inhibited by the massive disincentives of the taxation system, trade restrictions and government interference and controls.

In describing the advantages of his Land Bank proposals, Turnbull acknowledges the need to eliminate such sources of corruption as 'windfall gains from particular parcels of land', based of course on land value. Throughout this book there is the clear assumption that 'land value' is an aspect of wealth, indicating a regrettable ignorance of the law and meaning of Rent, invalidating much of the otherwise admirable analysis and criticism of the system of modern capitalism. The best recommendation one can offer as a corrective of this is the reading of the relevant passages of Henry George's two great works *Progress And Poverty* and *The Science Of Political Economy*.

Without the enlightenment such a study will provide, there is little hope of achieving the author's desirable aim of 'greater efficiency, justice, independence and political freedom, and the civilized fulfillment of society'.

(Incidentally, it is not true, as Turnbull suggests, that until Kelso there was 'no non-socialist or democratic solution' available. Henry George provided this in 1879 with the publication of *Progress And Poverty*.  
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## LEGISLATIVE COUNCIL REFORM ADOPTED

On Thursday evening 27 April, the New South Wales Branch of the Proportional Representation Society of Australia held a special meeting to celebrate the adoption of the quota-preferential method of proportional representation for future elections of the Legislative Council. The meeting was held following an informal dinner at Cahill's Dutch Tavern, 27 Park Street, Sydney. The three guest speakers were Mr John Hatton, MP, Member for South Coast in the Legislative Assembly; Senator-Elect Colin Mason; and Dr George Howatt, Special Research Fellow in political science at the University of Tasmania.

Introducing the speakers, the President of the Branch, Mr J F H Wright, said that, although Australia has an outstanding record in pioneering electoral reforms, there is still much that is unsatisfactory. He mentioned as an example the results of the December 1977 election for the House of Representatives, which left 3,764,215 voters nominally represented by people whom they did not want. They amounted to 47.5% of all voters and in Victoria and Western Australia more than half of the voters were left in this situation.

Mr Wright said that some of the news on elections was good, and in particular, the proposed change in the method for the election of the Upper House in NSW was an important advance. One of the key figures in the sequence of events from the time when the Bill to change the method was introduced in June 1977 was Mr John Hatton, who had the distinction of having stood alone in the Legislative Assembly while the Opposition and Government Members joined to vote against amendments he proposed. Mr Hatton had since had the satisfaction of seeing the parties reach a compromise which, subject to the people voting Yes in the referendum on 17 June, would lead to the use of a method almost as good as the one specified in his amendments.

### Mr John Hatton, MP

Mr Hatton gave a brief account of his attempts to enter the Legislative Assembly and his success on the third occasion after he and his wife had door-knocked throughout the entire electorate of South Coast. He pointed out that he is able to take a genuinely independent position in the House and believes that he could hold the seat even if opposed by both Liberal and Labour candidates.

Mr Hatton recalled that he had stood alone on five occasions while all the other members of the Legislative Assembly voted against him. Three of these occasions were in divisions on amendments to the Constitution and Parliamentary Electorates and Elections (Amendment) Bill. He told how he had made it clear to the Attorney-General that he would no support the Government's proposal for the use of a party-list method of election and commented that neither he nor the Attorney-General at that time realized that there would be such a battle as occurred later.

Discussing the reasons for the success of those who were opposed to the list method, he said that he believed that many people in New South Wales had become disgusted with the way the Legislative Council was elected and with the way the Council performed. The idea of maintaining the Legislative Council in its existing form had become unsupportable. This had been recognised by the press, which had backed the efforts of the Proportional Representation Society and Mr Hatton. The substantial vote for the Australian Democrats in

the Federal election was also important, showing that many voters were fed up with major party politics.

These factors combined to put both Government and Opposition 'over a barrel'. Any attempt to justify the continuation of the Upper House unchanged was unsupportable. The method of election by the Members of the two Houses was unsatisfactory and many vacancies had been filled without any contest. From 1966 to 1976, the Council sat for only about 50 days in each year and its Members had only minimal responsibilities. Although they were supposed not to have party affiliations, they voted regularly on party lines.

The Labour Party realised that they had an argument that they could not lose in proposing reform of the Council, but they were too greedy, hoping that the list method would give the party some real advantages. One was the likely reduction in informal votes, which was thought likely to help Labour. Labour tacticians also thought that a list method would create difficulties for the Liberal-Country Party coalition, as they would have to form a single list.

Within both Government and Opposition parties, there were Members who wanted reform, and some Labour Members did not like the list method. The Country Party initially took the line that no change was needed but later changed to saying 'Anything, even the present method, is better than the list system'. In the debate in the House, Mr Hatton noted that the Liberal and Country Party Members professed to be shocked that the list method was likely to prevent the election of independents, although, under the existing arrangements, it was practically impossible for any independent to be elected.

Mr Hatton said that one of the things that stood out was the lack of understanding among Members of what the argument was all about. They were thinking in their closed circuits and were concerned with the party politics of the situation rather than thinking what was good for the people of New South Wales. One unsatisfactory feature of the compromise arrangement was the provision for the filling of a casual vacancy by the next on the party list. The method used in Tasmania would have been preferable and could avoid difficulties in the future.

Mr Hatton congratulated the Society and especially Mr Leslie Katz on the preparation of the substance of the amendments that he proposed. Neither the politicians nor the Parliamentary Counsels had been able to fault these amendments. Mr Hatton presented to the Society his indexed copy of the Bill indicating the 57 amendments that had been prepared. The main features had been incorporated in Hansard. He also presented a copy of a letter he had sent to the Cabinet and the Shadow Cabinet setting out the reasons

for rejecting the list method and substituting the quota-preferential method, and an Order of the Day relating to the Conference of Managers, the first since 1928, which led to the abandonment of the list method. Mr Hatton concluded by congratulating the Society on its participation in a very important historical event and in changing the course of democracy in New South Wales.

(Cont. in next issue)

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#### FULL REWARD TO LABOUR

Well may the community leave to the individual producer all that prompts him to exertion; well may it let the labourer have the full reward of his labour, and the capitalist the full return of his capital. For the more that labour and capital produce, the greater grows the common wealth in which all may share. And in the value or rent of land is this general gain expressed in a definite and concrete form. Here is a fund which the state may take while leaving to labour and capital their full reward. With increased activity of production this would commensurately increase

(P 436 'Progress and Poverty' by HENRY GEORGE)  
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#### MONTHLY MEETINGS HELD AT 143 LAWSON STREET, REDFERN

1st Monday, 6 p.m.

Australian School of Social Science  
(No January meeting)

2nd Tuesday, 6 p.m.

Henry George Foundation and  
Association for Good Government

3rd Wednesday, 7.45 p.m.

Social Science Club  
(No January or February meeting)  
October meeting is held as the Henry George  
Commemoration.  
December meeting is held on 2nd Wednesday.

LAST Thursday, 6.15 p.m.

Proportional Representation Society  
(No December meeting)

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