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SUN YAT SEN -

THE THIRD ALTERNATIVE FOR THE THIRD WORLD

"Will Sun Yat Sen's program for China, bypassing the capitalized monopoly systems of the West and aiming straight for a liberalized society, become the model for the Third World - for Africa, Asia and the Americas alike?"



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SUN YAT SEN – CITIZEN OF THE WORLD

I count it a great honour to have been invited to address this Conference and to honour the name of Dr. Sun Yat Sen, Father of the Chinese Republic. It would be presumptuous of me to pose before you as an authoritative scholar of Chinese history, or to assume that I am able to bring to bear anything other than a Western mind to the subject. Such cogency as I am able to bring to bear in any remarks that I can make will derive from the fact that Dr. Sun Yat Sen was a 'citizen of the world' - his late widow is on record as saying that he had a 'world mind' - and that the ideas which he adopted as his own were ideas that gave people inspiration not only in China, but in Japan, America, Denmark, England and the Antipodes - particularly in Australia whence I have come.

So it will be my intention to give you a survey and summary of these widespread ideas which so captivated Sun Yat-sen as a young man, which stayed with him till his death, and which he enshrined in his San Min Chu I lectures which he delivered in the year I was born.

For mainland China there can be no turning back of the clock. The door of China's contacts with the Western-style economies has been irrevocably opened, and this is something that the mainland has no choice but to come to terms with. It is thus highly relevant that Sun Yat-sen was himself thoroughly conversant with the way that the West operated. He could see the faults of the West, he could see the direction in which China was heading, particularly in her cities, and, with the wisdom of a prophet, he sought to take action that would prevent Western-type difficulties arising in China before they could get out of hand.

I will be referring somewhat extensively to the politico-economic philosophy of Henry George, partly because his ideas found fertile soil in the Antipodean climes of Australia and New Zealand whence I myself come, but in particular because he had so profound an influence upon Dr. Sun Yat-sen, the Father of the Chinese Republic.

Imagine, for the sake of the argument, that the whole of Australia - or Taiwan - had been bought up by the oil sheiks, and that they then rented the land back to us, the local peasants, to live and work on. What would their rent roll run into? It would be thousands upon thousands of millions of dollars per year. In essence, the fully developed Georgeist programme would be that the land rents of Australia and of New Zealand and Taiwan - as indeed of every other country - should be shared in by the whole community - that they should be collected in the form of a public, general land rental tax by the government as its primary, natural source for revenue. George pointed out that all production comes from - can only come from - labour and capital applied to land. And so, if the government obtains its revenue from the locational value of land - from the source, the gateway, to all production - then it is not necessary to impose taxes upon the labour and the capital. George asserted that to tax labour and capital is to discourage them, whereas to tax the value of land holding is to promote its use, to penalize its withholding, and to thereby open the gateway for labour and capital.

I have developed this theme for the precise reason that this political philosophy had tremendous influence upon Dr. Sun Yat-sen in his formative years in the latter decades of the last century, and it spilled out in his famous Principle of the Livelihood of the People. To be sure, Dr. Sun talked in terms of the somewhat lesser goal of the public collection of future unearned increment, particularly in the cities, but the underlying influence and inspiration was there. In Taiwan under the 'soil to the tillers' programme, the rent of land has in a sense been socialized to the extent that the advantages in landholding have been spread amongst the farmers. And, under the Communist regime of mainland China, insofar as the land and natural resources are communally owned, the rent of the land has been virtually socialized - without them recognizing it for what it is, nor how important a factor it has been in the improvement of the economic lot of the people.

There has been a partial application of the ideas of Henry George in Australia and New Zealand both in land value taxation and in the widespread use of land value rating for government at the municipal level, to the extent of some A\$ 2 billion annually. But it has been partial only - and for that reason the price of land in Australia is today inordinately high, and the root cause for massive and chronic unemployment in this decade. And there has been partial application of Henry George's philosophy in Taiwan to the extent that Sun Yat-sen's programme for the equalization of land rights has been put into operation, and to the extent that 'unearned increment' in the value of land has been publicly appropriated. However, it is my view that the full impact of Henry George's economic philosophy as an alternative to Marxism has yet to be applied anywhere in the world.

But the central theme that I want to develop is that it is possible to achieve the necessary equalization of rights in the land and natural resources of a country, as espoused by Dr. Sun Yat-sen, and yet at the same time allow private entrepreneurship and all the benefits of a free market economy.

This is by far the quickest way to raise the living standards of the people - as Taiwan has proved in these last thirty years; and the mainland would benefit tremendously were it to learn the lesson. Why do so many people on the mainland still have to act as human beasts of burden? Does the fault lie in them, or in the system?

It will be my intention to advance the view that the future for the Chinese people now lies with the potential for human freedoms contained within the radical liberalism of John Stuart Mill and Henry George rather than with the tenets of Karl Marx or the terror of Lenin, and with the inspiration of rediscovery of the programme of Dr. Sun Yat-sen for China, rather than clinging to the Marxist precepts of Mao.

Sun Yat-sen was a citizen of China, yet at the same time he was truly a 'citizen of the world', because he drew his inspiration from streams of thought that gave hopes of justice and freedom in lands across the globe - in America, in Britain, and in the Antipodes. And it is precisely because the name of Sun Yat-sen is revered and taken notice of in Taiwan that I believe that that island is uniquely placed to show the whole of the Chinese people the way forward in their quest for modernization, and, indeed, is uniquely placed to be in the sociological vanguard of the nations of the world. Taiwan is in the position, with its contacts with the West - just as Sun Yat-sen had his contacts with the West - to make the best of both worlds. She is able to indulge in those efficiencies in modernization that are available to her because she has no ideological 'hangup' about the advantages in entrepreneurship. Yet at the same time she could quite easily champion a full-fledged Georgeist programme under the banner of Sun Yat-sen as the relevant alternative to the Marxism of Mao that has run out of steam.

Today we now have the advantage of the wisdom of hindsight to be able to perceive issues more clearly, issues upon which Dr. Sun in his time could but feel his way. But the kernel of the matter is this: In his great Principle of the Livelihood of the People, in setting forth his programme for the equalization of land rights, Dr. Sun described the true 'socialism' in the 'common wealth' of the people. In this he followed the path of Henry George, and not that of Karl Marx.

Could it be that Sun Yat-sen, with his ideas based upon Henry George, was correct? Has his time now come for China now that it is freed from the rackrenting landlord and from war? Should Sun Yat-sen be rediscovered, reassessed and reinstated in policy formulations for the modernization of China? 'Modernization' means, implies, needs, massive capital generation, massive capital accumulation, massive internal economy of effort. Is, after all, the key to be found in Sun Yat-sen's own programme for the modernization of China? - which he set out more than half a century ago, taking as its fundamental economic base the Socialization of the Rent of the Land - which rent, as we have seen, is really the progressive social dividend from community organization, national growth and specialization. Is it further to be found in the encouragement of the peasants and workers to accumulate capital as quickly and as economically as possible?

There are welcome signs that mainland China's top leadership sees the need for people to have incentives. But can they escape from the straitjacket of that mistaken Marxist theory which still

lies as a spectre behind the origins of the Cultural Revolution? It is very unlikely that they have ever heard of the radical alternative of Henry George, nor given much attention in recent times, to the National Programme for Modernization of Sun Yat-sen. And this is the excuse why I, a Western layman, have been constrained to write this paper. It is born out of affection for the Chinese people, and it is born out of the fact that, strangely, those selfsame influences that fashioned the political philosophy of Dr. Sun Yat-sen have 2 generations later, fashioned my own.

Henry George, through his writings and his lecture tours, both to the United Kingdom and to the Antipodes, as well as in the United States, attracted many in his own time to the cogency and the beauty of his outlook. Such was the background to the formative years of Sun Yat-sen. Dr. Sun, widely travelled in the West, to London and to New York and to San Francisco, widely travelled in a sense that was not to be the fortune of Mao Tse-tung, gained a breadth of background to be able to sense what was good and what was to be rejected in what the West had to offer. In many ways the West let him down — and that is to the discredit of the West. It sought to carve up China. Today we do not witness the domination of China by other nations, but we do witness the domination of so many countries by the transnational corporations. Let China beware! Thus, for China's future, the experience of Sun Yat-sen becomes more and more relevant!

It is to me highly significant that the name of Sun Yat-sen is honoured in Taiwan, and that in Taiwan the social philosophy of Henry George, through the influence of Sun Yat-sen, has been put into at least partial effect. Could it be that under the banner of Sun Yat-sen, Father of the Republic, both modernization and reunification will, in the fullness of time, become a peaceful reality? Will his Manifesto for China again be written large, as it once was, on each side of the Great South Gate of the Forbidden City?

So then, on the one hand we have the stream of Marx-Lenin-Mao; and on the other we have the stream of George-Tolstoy-Sun Yat-sen. In both cases the West, along with Russia, meets the East. Perhaps the greatest legacy that Mao left China, leaving aside the frailness of his latter years, is not that he brought Marxism/Leninism, but that after much tribulation, he achieved a degree of national unity freed from foreign domination and a stability in administration that the country had never known — something that Sun Yat-sen, against the warlords, had never been able to attain? Yet, in attaining that stability, did Mao set the stage for a reappraisal of Sun Yat-sen? Will Sun Yat-sen's Programme for China, bypassing the capitalized monopoly systems of the West, and aiming straight for a liberalized society, become the model for the Third Alternative for the Third World? For Africa, Asia and The Americas alike? The Programme of Sun Yat-sen, Citizen of the World?

The challenge is so show how we can all attain *justice with freedom*. But is the non-communist side of the fence prepared to pay the price? Are non-communist countries prepared to take the risks involved in practising political freedom? Are non-communist countries prepared to conduct within their borders free and fair elections? — for a government is truly strong only if it is strongly supported by the people. Are non-communist countries prepared NOT to imprison people without trial, not to imprison them only because of their political beliefs; are non-communist countries prepared to proscribe torture? In a word, are they thus prepared to pay the price that has to be paid for international credibility and acceptance? As for *economic* freedom, the price to be paid is the *socialization of the rent of the land*. That is the paradox. That is the challenge.

I am a believer in what is called "positive functionalism". This is a view that a positive reaction to a situation leads on healthily to a further positive reaction, so that advance leads to further advance. On the other hand, a negative reaction leads to stagnation and repetition. Therefore I am not so much *anti*-communist as non-communist. I believe that there is a better way, and therefore I am for *people*. I am FOR the people of Taiwan, as I am FOR the people of the mainland, as I am FOR the people of Hong Kong. We must make our non-communist system work better than the communist system in terms of the well-being of all the people. It is by so doing that the better system will ultimately prevail. That is a positive function — which will attract, rather than cause hostility. It is goodwill that casts out fear.

Professor Ross Terrill of Harvard University, writing in a publication of Broken Hill Pty. Ltd.,

Australia's largest public company, had the following to say of relationships between Australia and mainland China, in the light of extensive tourism and trade:

"Closer contact is producing a sense of identity between the two peoples, a realization that we share a shrinking and dangerous planet, that our common humanity draws together even more than our varying historical experiences and economic levels pull us apart — and *a sense of identity with others* is the basis of that feeling of obligation which distinguishes men from beasts, and which will be essential to a liveable world in the era of our children and grandchildren."

In writing thus, Professor Terrill takes his stand, I believe, with Dr. Sun Yat-sen, Citizen of the World. In the face of the threat to us all posed by the nuclear madmen, Taiwan, also, must pursue that sense of identity, that sense of kinship — for she has much to offer!

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In speaking now in complementary fashion to my paper as printed, I am seeking to put living flesh on to its skeletal structure. The *history* of the Republic is useful to the extent that it can shed light on its *destiny*, and so in discussing the significance of Sun Yat-sen as the practical symbol of a nation's hopes, I am really talking about the lives and livelihood of real flesh and blood people — the young people of Taiwan, the young people of the mainland including those whose career prospects were shattered by the disaster of the Cultural Revolution; I am talking about the mass unemployment of Europe and America and Asia and Australia. I am talking about all of these when I speak of Sun Yat-sen, Citizen of the World.

I take my text directly from Sun Yat-sen when, in the very first decade of this Century, he spoke of Equalization of Land Rights, and declaimed:

"Why can the West not solve the social problem? *Because it has not solved the land problem.* With all progress of civilization, land values increases . . . the poor have no fields to till and they have to depend on industrial work to make a living."

In speaking thus, Sun Yat-sen was speaking from his knowledge of English history. The private capitalization of social progress and of technological advances into land price, and the making of untold fortunes, whilst, despite their strivings, the common mass of the people could not advance was the curse, the "Achilles heel", of Western economics.

Let me take you back in time to the young man, Sun Yat-sen, studying hard in the British Library in London, in 1897. Amongst the writers whom he studied were two who in particular fired his imagination. One was John Stuart Mill, and the other was Henry George the American contemporary of Karl Marx.

So, in the Library, Sun Yat-sen would have read in George's *PROGRESS AND POVERTY* how a vast metropolis arises, and how the rent of land rises with community growth.

"Individual liberty — Social sharing":

"Here, let us imagine, is an unbounded savannah, stretching off in unbroken sameness of grass and flower, tree, and rill, till the traveller tires of the monotony. Along comes the waggon of the first immigrant. Where to settle he cannot tell — every acre seems as good as every other acre . . . Tired out with the search for one place that is better than another, he stops — somewhere, anywhere — and starts to make himself a home . . . It is an easy matter for him to get enough to eat; but beyond this his labour will only suffice to satisfy the simplest of wants in the rudest way. Soon there comes another immigrant . . . He settles by the side of the first comer, whose condition is at once greatly improved, and to whom many things are now possible that were before impossible, for two men may help each other to do things that one man could never do.

Another immigrant comes, and, guided by the same attraction, settles where there are already two. Another and another, until around our first comer there are a score of neighbours. Labour has now an effectiveness which, in the solitary state, it could not approach . . . A blacksmith and a wheelwright soon set up shops, and our settler can have his tools repaired for a small part of the labour they formerly cost him. A store is opened, and he can get what

he wants as he wants it; a post office, soon added, gives him regular communication with the rest of the world. Then comes a cobbler, a carpenter, a harness maker, a doctor, and a little church soon arises. Satisfactions become possible that in the solitary state were impossible . . . Population still keeps on increasing, giving greater and greater utility to the land, and more and more wealth to the owner. The town has grown into a city — a St. Louis, a Chicago or a San Francisco — and still it grows. Production is here carried on upon a great scale, with the best machinery and the most favorable facilities; the division of labour becomes extremely minute, wonderfully multiplying efficiency; exchanges are of such volume and rapidity that they are made with a minimum of friction and loss . . . Hither run all roads, hither set all currents, through all the vast regions about . . . Here are museums and art galleries, collections of philosophical apparatus, and all things rare and valuable, the best of their kind.

So enormous are the advantages which this land now offers for the application of labour, that instead of one man with a span of horses scratching over acres, you may count in places thousands of workers to the acre, working tier on tier, on floors raised one above the other, five, six, seven and eight stories from the ground, while underneath the surface of the earth engines are throbbing with pulsations that exert the forces of thousands of horses . . . The productive powers which density of population has attached to this land are equivalent to the multiplication of its original fertility by the hundred fold and the thousand fold. **And rent, which measures the difference between this added productiveness and that of the least productive land in use, has increased accordingly.**

. . . It is a well-provisioned ship, this on which we sail through space. If the bread and beef above decks seem to grow scarce we but open a hatch and there is a new supply, of which before we never dreamed.

“Here is a natural law by which, as society advances, the one thing that increases in value is land — a natural law by virtue of which all growth of population, all advance of the arts, all general improvements of whatever kind, add to a rent fund that both the commands of justice and the dictates of expediency prompt us to take for the common uses of society. Now, since increase in the rent fund available for the common uses of society is increase in the gain that goes equally to each member of society, it is not clear that *the law by which land values increase with social advance*, while the value of the products of labour do not increase, *tends, with the advance of civilization, to make the share that goes equally to each member of society more and more important* as compared with what goes to him from his individual earnings, and thus to make the advance of civilization lessen relatively the differences that, in a ruder state of society, must exist between the strong and the weak, the fortunate and the unfortunate.”

from George's THE CONDITION OF LABOUR

And in this you may thus perceive that Henry George foreshadowed Sun Yat-sen's concept of socialism, his principle of Min Sheng, the welfare-in-common of all the people. Indeed, in this passage, George makes sense out of education and skills and automation — and more than gives Karl Marx a run for his money!

But George proceeded further. And whilst I am giving you the quotation, I want you to anticipate what Sun Yat-sen had later to say about rising land values in Canton and Shanghai and the role that he was to give to land value taxation in the solving of the land problem and the problem of the People's Livelihood.

“The wages of special classes, who are fenced off from the pressure of competition by peculiar knowledge, skill, or causes, may remain above the ordinary level. Thus, where the ability to read and write is rare, its possession enables a man to obtain higher wages than the ordinary labourer. But as the diffusion of education makes the ability to read and write general, this advantage is lost. As the progress of invention dispenses with peculiar skill, or artificial restrictions are broken down, these wages sink to the ordinary level. And so, it is only just so long as they are *special* that such qualities as industry, prudence and thrift, can enable the ordinary

labourer to maintain a condition above that which gives a mere living. Where they become general, the law of competition must reduce the earnings or savings of such qualities to the general level — which, *under those conditions were land is monopolized and labour is helpless*, can be only that at which the next lowest point is the cessation of life.”

Now let us come to the heart of the matter — Sun Yat-sen’s own words on the subject — “The land question has felt the first and most serious effects of the modern Western impact . . . Chinese land has only to come under Western economic influence to transform its owners into millionaires like the capitalists of the West . . . Rise in land values should be credited to all the people and their efforts; the landowner himself has nothing to do with the rise and fall. So foreign scholars speak of the profits which the landowner gets out of the increased price of the land as *unearned increment*” — a concept which Sun Yat-sen would have gleaned from John Stuart Mill.

“Many people have taken land as something to gamble with, and have gone into land speculation. Much land which would not be worth a great deal until ten or twenty years later, and which would not naturally have been highly valued, has been raised in price ahead of time through the wire pulling of speculators . . . If we want to solve the land question we must do it now; if we wait until industry and commerce are fully developed, we will have no way of solving it. Now that Western influences are coming in and our industry and commerce are undergoing such marked transformations, inequalities are arising not only between the rich and the poor but also between common owners of land . . .

When modern, enlightened cities levy land taxes, the burdens upon the common people are lightened and many other advantages follow. If Canton city should now collect land taxes according to land values, the government would have a large and steady income, and there would be a definite source of funds for administration. The whole place could be put into good order. All miscellaneous taxes could be remitted. The water and electric light systems used by the people could be provided without charge by the government and would not have to be a burden upon individuals. Funds for road repair and for upkeep of the police system could also be appropriated out the land-tax receipts; extra road and police taxes would not have to be levied upon the people. But at present the rising land values in Canton all go to the landowners themselves — they do not belong to the community. The government has no regular income, and so to meet expenses it has to levy all sorts of miscellaneous taxes upon the common people. The burden of miscellaneous levies upon the common people is too heavy; they are always having to pay out taxes and so are terribly poor. And the number of poor people in China is enormous. The reasons for the heavy burdens upon the poor are the unjust system of taxation practised by the government, the unequal distribution of land power and the failure to solve the land problem. *If we can put the land-tax completely into effect, the land problem will be solved and the common people will not have to endure such suffering.*”

“The aim of our party’s MIN-SHENG Principle is to *equalize the financial resources in society*”.

Here let me re-echo Henry George’s words:

“The law by which land rents increase with social advance tends to make the share that could go equally to each member of society more and more important.”

Then, so Sun Yat-sen affirmed:

“So we consider the Principle of Livelihood to be the same thing as socialism or communism, but each has its own methods of procedure. *Our first step is to be the solution of the land problem . . .* The plan which we are following is simple and easy — the equalization of land ownership . . . This proposal that all future increment shall be given to the community is the ‘equalization of land ownership’ advocated by the Kuomintang; it is the MIN-SHENG Principle. This form of the MIN-SHENG Principle is communism.”

In these words Sun Yat-sen made it abundantly clear that he fully understood the nature of land rent. Growth in the size of a community meant tremendous growth in the differential advantages of location. If these land rents could be privately appropriated, they became capitalized into

the price that could then be demanded for land by its private owner. If, on the other hand, the value of land, growing as the community grew, could be channelled into the public treasury, then, far from becoming a blight and a difficulty, it would be the prime source for revenue, for community enrichment, the well-spring of the well-being of the People, the fulfilment of the Min-Sheng Principle. REAL Communism lay in the socialization of the rent of the land.

Of course it was at this point that Sun Yat-sen ideologically parted company with the Communists.

Sun Yat-sen said that the Principle of Livelihood was a form of communism. But in what did his concept of communism have its roots? It was a concept vested in the Equalization of Land Rights. *Differential land values* still is a concept that has no place in the thinking of the Government of the Chinese mainland. If they are going to claim Sun Yat-sen, then they are going to have to genuinely study him again, and not only him, but Adam Smith and Ricardo and Mill and George, for it was these writers, rather than Marx, in whom Sun Yat-sen's ideas were grounded. And I've got some further news for the Communists. If they were to study Volume III of Marx's DAS CAPITAL, they will find to their surprise that Marx was rapidly coming round to George's views on the nature and role of rent.

This is what Marx actually said:

"To the same extent that the production of commodities develops as a capitalist production and as a production of value, does the production of surplus value and surplus products proceed. *But to the same extent as this continues does property in land acquire the faculty of capturing an ever-increasing portion of this surplus value by means of its land monopoly.*"

This quotation needs to be placed on the record. Millions of lives could have been spared, had it been heeded, for the socialization of rent does not need to be other than a peaceful and orderly administrative process.

I think that Dr. Sun Yat-sen well summarized his whole philosophy in these words:

"If livelihood does not go right, social culture cannot advance, economic organization cannot improve, morals will decline, and many injustices such as class war, cruelty to workers, and other forms of oppression will spring up — all because of the failure to remedy the unfortunate conditions of livelihood. All social changes are effects; the search for livelihood is the cause."

I ask you to perceive how relevant this all is to the children in great cities, themselves to be counted amongst the landless poor, and competing anxiously within the education system. How relevant it is to the mass of unemployed in Great Britain, progressively dispossessed of land tenure since the times of King Henry Eighth, over four centuries ago. I ask you to dwell on how relevant it is to the landless and hungry poor of Latin America and Africa and Asia, not the least in the Philippines — people being forced off the good land which is even right now being used exclusively to amass export earnings for the local elite.

Henry George and Sun Yat-sen, like the prophets of the Hebrew Old Testament, would have thundered against these crimes.

"Why can the West not solve the social problem?
BECAUSE IT HAS NOT SOLVED THE LAND PROBLEM.

— SUN YAT-SEN
1906

THE PRINCIPLE OF THE LIVELIHOOD OF THE PEOPLE: 1981 -

Once upon a time the British Empire was the empire upon which the sun never set. How times have changed! And now the winds of change are also blowing at a gale through China. Its people are aghast at what they did to themselves in the Cultural Revolution. That Revolution was the 'hinge of fate' for Post-Liberation China because it demonstrated the absurdity that rigid Marxism, an article of faith, can reach when taken to extreme - such as when students hurled tiles from the roof of Peking University at each other - all in the name of ideological purity! Of course travesties can make a caricature out of any system, no matter how sound or sensible. Nevertheless, because the Cultural Revolution had such a profoundly ideological basis, and because there is now so much internal questioning amongst the Chinese people themselves, it is relevant to probe Marxist theory for any flaws.

If there is, indeed, a flaw, then it is certainly necessary for it to be corrected for the sake of the Chinese people, for, thirty years after 'Liberation', their living standards are obviously still much lower than those of Western entrepreneurial nations including those devastated in the Second World War, and indeed, lower than those of Asian regions such as Japan, Taiwan and South Korea that are integrated into the entrepreneurial West. To be sure, these countries have received massive infusions of capital, but that capital had to be physically generated, and generated it was in entrepreneurial societies, and on a scale that Marxist economies have nowhere matched. This inferior standard of living is something which the Chinese people have been questioning. Have they, in their spartan living, been making a virtue out of necessity? And yet, in China there is a general standard of morality which is much higher than that of many Westernized countries; and there is an absence of that dire poverty and malnutrition which marked 'pre-Liberation' China and which still marks so many countries of the Third World.

Is there a way forward for China which will enable her people to enjoy the fruits of technology and entrepreneurial latitude without being bound by the exploitation and poverty that seems to go cheek by jowl with it - indeed, as near close by as Hong Kong? This paper seeks in outline to answer that question, both by discussing a perceived flaw in Marxist analysis and by indicating a new direction which, for China, would really be a re-discovery, to which Taiwan may well hold the key.

Reduced to its essence, Marxism asserts that all value is labour value, but that the ownership of the means of production gives ownership such power over mere labour that the wages received by labour are much less than their rightful value. This surplus value is an unearned profit retained by the owners of capital who employ labour; and this exploitative situation is intrinsic to the 'capitalist mode of production'.

One of the great difficulties faced in discussion of 'capitalism' is the fact that nowhere has Marx given us a clear definition of what he meant by 'capital'. Confusion is compounded when factors diversely contributing to production or else holding power over it, are indiscriminately assigned monetary values which are then lumped together as 'capital' in columns of accounts. And those with a vested interest in holding on to such 'capital' in Western economies are quite happy to make bedfellows with the Marxists in this matter - in the name of private enterprise and the sacredness of private property! The real 'capital', later defined, of a 'capitalist' enterprise may be comparatively limited, but its legal power over prices and profits may be enormous. Such power is granted, for example, under prohibitive tariff protection. So the capitalized value of monopolies, the capitalized figure of patent rights and royalties and the value of land, buildings, machinery and shares all get lumped together as 'capital'. The owner of all such is then called a 'capitalist' if he uses this accumulated sum in an entrepreneurial sense to employ labour, from which it is wrongly inferred that the wages of labour are paid out of the 'wages fund' which accumulates in profits from the further productive efforts of labour, and that the surplus goes to the capitalist.

The Marxist conclusion drawn from this scenario is that private entrepreneurship, private accumulation of capital and the private employment of labour is synonymous with exploitation, and that the exploitation of labour is to be ended only by the socialization of the means of production, distribution and exchange. People are to be rewarded in wages according to the value of their work, but there is no room for the private entrepreneurial employment of others, which is construed as being part and parcel of avaricious capitalism. That there was no place for tall, self-grown poppies was the essence of the Cultural Revolution. But it set the Chinese people of the mainland back a full generation! (One can also think the passing thought that if the State is the supreme employer, then how must one rate the wages that it pays its employees!)

To test the validity of the Marxist analysis, it is necessary to trace the growth of the 'capitalist mode of production' back to its origins. And it is when we do precisely THAT that a disastrous flaw in Marx's reasoning can be detected. Why disastrous? Because, in the final event it led to the disaster of the Cultural Revolution!

In Section 24 of Vol. 1 of Das Capital, Marx talks about the origins of Capitalism and of a mere wage working class and about the origins of the accumulation of capital that led to the 'capitalist mode of production'. Then he comes to some very significant words - words the significance of which apparently escaped him. He says:

'THE EXPROPRIATION OF THE AGRICULTURAL PRODUCER, OF THE PEASANT, FROM THE SOIL, IS THE BASIS OF THE WHOLE PROCESS.'

and he proceeds to state that it was uniquely in England that this process was to be seen in its purest form. He gives an account of English economic history from feudal times and shows how the common people were, over the centuries, robbed of their lands by the ruling 'nobility', so that by the time of the Industrial Revolution, there was a great class of landless labourers reduced to poverty, who had to work for what they could get - or else starve, their economic bargaining power having been destroyed. Such, then, were the origins of the 'capitalist mode of production'. Thorold Rogers traced this same process through in his 'Six Centuries of Work and Wages'. We may also note that the peasant farmers of Japan suffered a similar fate in the thrust towards industrialization in the latter decades of the nineteenth century.

Marx proceeded to say that the capitalist class must be done away with so that no-one could make an unearned profit out of the surplus value of anyone else's labour. 'Profit' became a bourgeois, dirty word. And yet, now in China, it is becoming a feature of modernization that enterprises must be able to pay their way - be profitable - that economic reality and the need for expertise in modernization must have precedence over mere ideological correctness. But, to repeat, does the necessity for such a new policy imply that the ideology has been INCORRECT? If this is so, then it has tremendous implication for China.

If indeed it is a fact that it is 'the expropriation of the people from the soil' that is the basis for the whole process of exploitative 'capitalism', then it would surely seem logical that the first thing to do is to destroy the basis, that is, to correct the condition of 'expropriation of the people

from the soil', and to 're-inherit' the whole people into their full and equal rights in the land.

But Marx did NOT specifically do this. Instead, he set out, in terms of industrialized society, to socialize capital, by which I mean the abolition of any private ownership or equity in machinery, etc., i.e., in the physical instruments of production. So, in China, it has been ideological anathema for there to be any private accumulation of wealth - other than for a small range of consumer items.

Actually, for discussion to get anywhere at all, a strict definition is needed of what is meant by 'capital', and the following applies:

WEALTH is anything which is the product of labour applied to land or upon land, the term LAND being used generically to include all natural resources. The definition of CAPITAL follows on from it: CAPITAL is that fraction of physical wealth which is devoted to the facilitation of labour in the production of more wealth.

Such a definition of CAPITAL therefore includes all technology, and it highlights the rational need for the intense accumulation of capital in the cause of modernization. Such capital must be accumulated either through local generation, or through the economies of trading exchange.

Capital as defined will, of course, have a real monetary value which, like that of all other goods, is determined through exchange in the market place. But by definition, CAPITAL does NOT comprise LAND (which is not a man-made commodity, continuously reproducible); nor does CAPITAL consist at all in that monopoly value of land which derives from its fertility or location; nor does it consist in the capitalization figure of any other privilege or monopoly.

We now have the advantage of the wisdom of hindsight to be able to perceive issues more clearly, and I would like to give a 'briefing' of current Georgeist thinking in Australia of the 1980's that I hope will be useful in debate and dialogue with Marxists

Henry George, as the American contemporary of Karl Marx, and author of the classic 'Progress and Poverty', shared with Marx an identical view of the historical antecedents of the exploitation of the common people, but he followed the logic to its inexorable and proper conclusion. He asserted that there was no INTRINSIC power residing in private ownership of capital that gave the ownership of capital power to exploit; rather, it was the historic development of private monopoly in land - in the ownership of the earth - which, by excluding the common people from the land - from the basic source of all livelihood - (a) destroyed their economic bargaining power, (b) reduced them to being mere wage workers, and (c) enabled the owners of landed property to accumulate wealth that should rightfully have gone to the workers as part of their fair wages. So, if you like, the 'capitalist mode of production' was born. But it really had nothing to do, in its origins, with the private ownership of accumulated wealth, of 'capital'. On the other hand it had everything to do with the economic tyranny of capitalized monopoly, of monopoly, first and foremost, in the ownership of the earth. George explained the depressed conditions of European workers on this basis. By way of contrast, in what were then new lands, such as Australia and New Zealand, real wages were high, even if life in pioneering days was primitive.

Indeed, why is the lot of the Chinese people now so much better than it was in former times? At the basic level, it is because they have been freed from war and from the rapacity of landlords. And why is there still so much poverty in the Philippines and in Latin America and in so much of Asia? It is because the landlord-landless peasant situation still exists.

It is important to understand that the conditions in Scotland and Ireland and England were as bad for the landless labourer as they were for the landless peasant in China - worldwide conditions that Sun Yat-sen was quite aware of.

It was because some people by force, fraud, or power of law became great owners of land that they were able to amass capital that would otherwise have been equitably shared throughout the realm of England, had the producers, i.e., the workers, been able to retain their share of equity in, and common access to, the lands of England. Just how pitiable, powerless and bemused they became will be clear from reading the speech delivered in Glasgow by Henry George on 'Scotland and Scotsmen'. Even today, when land is so dear in Westernized countries including both Japan and

Australia, despite modernization, many young people are really landless peasants, kept alive purely because there are unemployment 'dole' handouts. As part of the picture, in Hong Kong commercial land on the water front has fetched HK\$146,000 per square metre! But this is not 'capitalism' gone mad; what it is is capitalized monopoly run riot. And there is a world of difference that it is as vital to be understood in Taiwan as in Hong Kong or any other region with Western associations. It is what happens when the benefits of economic and scientific and social advance are allowed, because of private equity in the holding of land, to become capitalized, for private profit, into the price of land. It is NOT a profit that comes from the expenditure of one's own private, personal exertion, nor from the accumulation of capital therefrom. It is a profit that comes, unearned, under conditions of outright private ownership of land, from the ability to capitalize upon the productive efforts and hopes of the whole community. And it was Henry George, not Marx, who drew the distinction.

Indeed, it was at this point that Henry George parted company with Karl Marx. George said that Marx had, by jumping to wrong conclusions, veered off-target, and had written a wrong programme based upon a wrong diagnosis. It is not surprising, perhaps, that Marx should call George the 'last ditch stand of the capitalists'; and it is equally not surprising that George called Marx the 'Prince of Muddleheads'. Well, in China there were a lot of sore heads as a result of the Cultural Revolution!

Marx said that land must be communally owned, but that so also must be all of the means of production. Workers must 'serve the people' through this all-embracing Socialism. So, in the fullness of time, true Communism would evolve, and the nature of Man would be changed. The Cultural Revolution was an attempt to short-circuit, to accelerate, the process.

George took a much more sanguine and realistic view of human nature. Firstly, he asserted that it was in the very nature of Man to be a 'free' spirit, and his book PROGRESS AND POVERTY climaxes in an ode to Liberty. When men are free in their associations with each other, including their economic relationships - when they are free in equal freedom - then, and then only, is it possible for cooperation within society to flourish to the mutual benefit of all. But such hopes could not get to first base, so long as private ownership of the resources of the earth held sway. George perceived that in the cooperative phenomena of society, there was a bonus, a dividend, that came to mankind by way of increased material and spiritual prosperity, and that elevated his way of life above that of the crudities of isolated existence. This bonus of production came from the economies in effort that the organism of community, of Society, brought forth by virtue of the fact of its very existence. It was a bonus that revealed itself in the enhanced usefulness and desirability of land from location to location, dependant upon not only its 'on site' fertility, but upon many other factors, e.g., variety of concentration in population. In economic terms, it was to be expressed in the rent of the land. Private ownership of land was really the private appropriation of its rent - or of its ability to yield rent. The great extremes of wealth and poverty arose when the owners of land could deny its productive use to others, or else could glean the socially produced rent to their private advantage. Such accumulated wealth was then transmuted, monetarily, into 'capital'. It was this end result that Marx saw. It was in his analysis of its constituent parts that he went astray.

Marx, and through him Communism, looks to the resolution of conflict through clash and counterclash, in the course of which millions have perished. But it is cooperation, harmony and peace which produce all social progress. Conflict produces only decay, loss, retrogression and ultimate social death.

Thus George had an entirely different outlook from Marx on the structure of Society. He dwelt on the fundamental importance to Society of the concept of Economic Rent. He perceived that trade and cooperation meant social life and civilization, and that trade engendered rent. He gave the example of the pioneer who settles on a boundless plain of fertile soil. Life for him is primitive; yet by dint of labour his living is guaranteed. Then along comes another pioneer, then others. Where do they settle? Why, on similar land, but close to the first. By their very act of human association, these people afford to each other, in countless unfolding ways, mutual services that

yield enormous savings, ECONOMIES, in effort. Thus human association endows land with a greater and greater role in productivity wherever association occurs.

Thus, where, formerly, on one acre of land a farmer might grow, say ten bags of grain, now, on one acre upon which factories are built, a thousand men, working together, produce the equivalent of many bags, in the technical marvels of modernization. Thus, where people are concentrated into cities the size of Peking and Shanghai and Canton, the productivity potential from human association is prodigious, compared with, say, the productivity per acre of rural paddy fields in the South; whilst these rich rice-yielding areas would, in turn, for reasons of climate and fertility, have greater productivity than the grainlands of high Tibet. And just as it is the rationality of association that brings men together into centres of civilization, so also it is that selfsame rationality that causes men to choose good agricultural land over what is seen to be marginal. This bonus from human association and cooperation attaches to land of superior location and is termed 'economic rent'.

So George perceived that economic rent, expressed in the differential productivity of land as utilized by men from site to site, was the measure of that social saving in effort, that ECONOMY, which arises when men have access to utilize land, and when, in so doing, they are able to utilize it to its greatest advantage. Thus the best-situated land will always lie at a premium; and the rental that it will fetch, as determined by the market, is the social value of effort saved in the course of production, and of extra amenities enjoyed; it is the index of the greatest economy, of greatest yield of satisfactions, that social organization can bring forth; of cooperation and harmony.

By allowing free competition to measure the rental value, or potential value, of each piece of land, and by channelling this by means of an annual levy on land rent, George portrayed how economic rent - the social dividend - the social bonus that springs from those economies to which the community gives rise through the very fact of its existence - could be gathered for community needs. In Peking and Shanghai and Canton and in many another city, this 'economic rent' from land would, as in New York and London and Hong Kong, yield a bonus of income to those communities of thousands of millions of dollars per year. How astronomical must be the value of human association expressed in the rent potential of commercial sites along the Bund! This, then, was the true Socialism, the common benefit that free men afford to each other in the very act of their social interrelationships. George perceived in this a natural law, akin to any of the 'natural laws' of the physical sciences. It was the primary law in economics, the Law of Rent, rooted in the fundamental psychological propensity of men to seek to save effort.

George visualised that if this Law were to be observed, then the relationships between men would be harmonious, that is to say, if economic rent were to be socialized; but that if it were to be ignored, if economic rent could become the private property of some men who thereby saved themselves effort at the expense of all other men, then dire poverty would be the fate of many, despite all social and scientific progress; indeed, as such progress continued - thereby making land all the more valuable - the process of misappropriation of economic rent would all the more intensify. But in his scheme for the socialization of land rent through site value 'taxing' or 'rating', he looked for a radical yet liberal and non-violent solution to Society's ills. The clash and counter-clash of dialectical materialism had no place in the thinking of a man who saw in the Law of Rent the beauty and wisdom of that same Authorship before which Einstein also stood in awe.

In terms of his own analysis, George asserted that there should first be JUSTICE. Goodwill and cooperation must first be rooted in Justice. He believed in and championed the rights of the individual in society; he asserted the right of society to the rent of the earth. Such was the proper tension between the two. Thus:

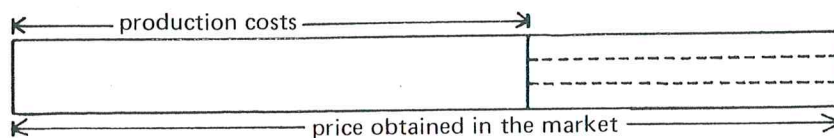
- (a) The product of the land belongs to the producer, provided that he pays the rent
- (b) There must be common equity in the value of land
- (c) There may be private holding of land for use BUT
- (d) The full annual rental of the land must be paid to the people (through the State) by whomsoever holds it privately
- (e) Land is recognized to vary in its value from location to location because of its fertility,

access to markets, and so forth. Hence there are different rents for different parcels of land. The payment of rents into community revenue would be the great method of applying equalization of land rights, even though land might be privately held or farmed or used for an industry.

George made a major point out of the fact that it is intrinsic to human nature to seek to save effort, and the rationality of this was the basis for sound economic action. Indeed, it must be the basis for any hopes that the mass of the Chinese people might have for modernization this century. George was therefore all in favour of the private accumulation of capital by producers, in their own right.

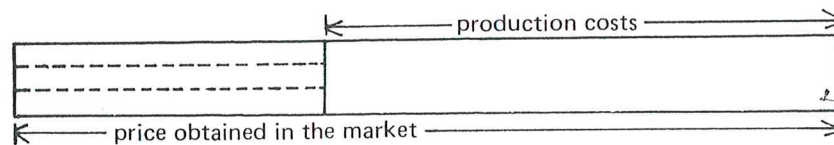
In seeking to save effort, people will want to utilize the best land available first (which is why good land is at a premium and commands the highest rent) and they will want to employ capital in using the land in getting the greatest return from it. And they will also want to be able to freely trade and exchange their products for other articles, at the most advantageous prices. That is merely economic common sense.

Consider a farmer who produces a crop:



The dotted section represents the profit to him; and whilst his efforts can command this return WHICH IS REALLY HIS WAGES the value of which are socially determined in the market place, then he has a good incentive to keep on producing. From this profit he can both make a living and also accumulate capital - and so buy a tractor! So the living standard of this farmer rises.

In the city there are producers who make tractors, and again the dotted area shows the profit of price over costs. 'Profit' is the excess of what the market is prepared to pay over the costs involved in supplying the market. Note that Wages are a 'distributive' part of the total price received, and that they command their share of 'profit'.



The dotted areas, taken together, show mutual profit because of expertise and advantages in particular fields. But this mutual profit is really MUTUAL ECONOMY IN EFFORT. There is no exploitation if there is mutual benefit. The city dwellers will buy the peasant's rice or wheat which HE can grow with more efficient economy in effort than they can. And he will buy the tractors and other items that THEY can make with much greater efficiency than he can (than he can by, say, running a steel furnace in his back yard like he tried once upon a time at Chairman Mao's direction). So the wealth accumulation is maximized for everyone.

But what of the wages of the city worker, employed in a factory? Will he not be subjected to exploitation? Here again George gives an exposition that Marx missed. The baseline of wages for the city worker will be set by that level of wages which the rural worker can obtain from working upon land that attracts the least rent. If land is monopolized, then the 'submarginal land', that is, land that attracts no rental payment, will be poorer and poorer in quality. But where the full rent is required to be paid, then the best land will be fully utilized first, and so the 'rent line' will shrink inwards. Thus a better quality of land at the margin will be rent-free, and net returns to wages will

be higher. This is the rent line which sets the base for the lowest level of wages everywhere. But the city-based factory will be built on a site that will be valuable as industrial land. And, again the city dweller has many social advantages that the rural dweller lacks. So city rents for land of all classes of use will be correspondingly higher. The rent question is the land question, and the land question is the labour question, and the socialization of the locational rent-value of land is the basis for justice in human economic relationships. It is the basis upon which the private accumulation of capital and private entrepreneurship has no power to exploit. It is thus the basis upon which China's hopes for speedy modernization with maximum employment of the prodigious potential of its people is to be achieved.

To restate the argument:

The city worker will not be prepared, nor can be forced, to work for any less wages than the rural peasant who is self-employed on the land, because the payment of land rents is the great economic equalizer of opportunity. This is the ultimate logical end of the argument that derives from the fact that, to again quote Marx, 'it was the expropriation of the people from the soil' (and to interpolate George, it was NOT the intrinsic ownership of capital) that gave rise to exploitation.

So, the greater the incentive that the peasant has to produce for the market the harder he will work; and the more he accumulates capital, the more he will in turn be able himself to become the market for the goods that the industrial worker produces in the city. **THE CURE FOR THE UNEMPLOYMENT OF CHINESE YOUTH IN THE CITIES IS TO INCREASE THE PURCHASING POWER OF THE PEASANTS IN THE COUNTRYSIDE.** And the price mechanism of a free market will be the best regulator of the directions in which accumulated capital will be spent with maximum economy in the country's resources.

'Industry as the leading factor' must start from the private holding of land by the peasants to work as hard as they care to, just so long as they pay the fair annual rent for the land that they hold. They are thus to be encouraged to accumulate capital. When, through this rental equalization of land rights, private monopoly in land is prevented - peasant proprietorship but no landlordism! - then 'capitalism', by which I mean the private accumulation and use of capital, need no longer be a dirty word. The peasant works hardest who works for himself. Advance in agriculture is the key to advance in industry. It is the key to China's modernization. It is the key to the freeing of her people from the sheer physical tyranny of toil. **THE PEASANT WORKS HARDEST WHO WORKS FOR HIMSELF!** But in working to serve the market upon which he depends, i.e., by working to supply and satisfy the market with the goods it demands, he thereby automatically **SERVES THE PEOPLE.**

Despite the disapproval of Mao, this has been recognized in mainland China to the extent that peasants have been allowed to work their own private plots and then to sell their produce at a market. The logical inference from this is that the greatest output of agricultural production is going to occur if ALL the land were to be released to the peasants on the basis of privately held plots - which is NOT to rule out the socially desirable aspects of communes as rural cooperatives.

Since the great bulk of the Chinese people is based in agriculture, this would surely provide the greatest incentive to production - and far less time would need to be taken up in ideological exhortations to accomplish it! It is only from superabundant production that the accumulation of physical capital can arise. The greater the production, the greater the creation of capital, the better-off the peasants will be. **WHAT HOLDS THIS BACK IS THE UTTERLY WRONG INFERENCE FROM MARX'S STATEMENT. IT IS, IN FACT, NOT THE PRIVATE ACCUMULATION OF CAPITAL THAT IS THE SOURCE OF EXPLOITATION. RATHER, IT WAS THE EXPROPRIATION OF THE PEOPLE FROM THE SOIL, THE PROPER RESPONSE, THE LOGICAL INFERENCE, SURELY, IS TO RESTORE THE EQUAL RIGHTS OF THE PEOPLE IN THE SOIL!**

For a nation who, for a generation has been brought up on Marx-Mao, to suggest that Marx was off-target, demands a Great Mental Leap Forward. Yet, in the due unfolding of time, it was Marx's antipathy to private incentive and to private accumulation of capital that led to the disaster of the Cultural Revolution. And Mao let it happen! This took the joy out of life for the people, forging a bondage rather than a Liberation.

Why did Marx and George, from the same set of facts, diverge in their conclusions? An explanation could well lie in the influence upon them of their immediate environs. George had sailed before the mast, had ventured to Alaska, and had witnessed the unfolding of economic circumstances in California, the 'last frontier'. He therefore saw the evolution of riches and poverty in the raw. Marx, on the other hand, was closeted in the British Museum, surrounded by the grey walls of a large city. Thus it may well be that when, in a didactic fashion, he wrote that it was 'the expropriation of the agricultural worker, of the peasant, from the soil', he was writing about something from which he was, in his own firsthand emotional experience, far removed. He saw the immediate scene, the desperate economic plight of the industrial worker in a large city: 'Workers of the World, unite!' But when George saw the pinched faces of children in the slums of Glasgow or New York, he had had the benefit of witnessing at first hand the processes at work in California where-by these things had come about.

Mao Tse-tung was criticized by orthodox Russian Marxism for looking to revolution first amongst the peasants, and not in centres of industrialization. Like George, he was influenced by the emotive experience of witnessing the plight of the agricultural worker, of the peasant. It was the sheer logic of the evidence right before his eyes that it was here that he must start. It can therefore be accepted that, for one reason or another, Marx, Mao and George were agreed that the disinheritance of the agricultural labourer lay at the heart of economic injustice. But Mao made the mistake of working backwards: he set out to apply Marx's solution for industrial workers as a solution for the rural peasant! In the event, it was only George who got it right. He started with the agricultural worker - in Mao's term he took agriculture as the foundation - and then he applied the solution that he found necessary for the agricultural worker to the solution of the economic problem of the industrial worker. Thus he said that wages are determined by the return to the labourer from land that bears no rental - where labour simply meets land. THIS is the 'basis of the whole process'.

SUMMARY

The key to the modernization of any country is economy in effort: specialization in skills, optimum utilization of capital and freedom to supply and exchange goods in the market, together with utilization of the land best suited for the particular purpose. In the most modern context, optimum utilization of capital must include consideration of optimum development of energy sources. The 'land rent tax' advocated by Henry George is an integral part of this whole mechanism, and is missing from Marxist practice.

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GEORGISM AND MARXISM

In their respective life-times Henry George and Karl Marx both made tremendous impacts. Subsequently Marxism has had far greater influence than Georgism. Many countries, especially the two present-day superpowers, Russia and China, are governed according to Marxist ideas, to a considerable extent, albeit in almost all cases this came about through social revolution or military force.

In this article some parallels and contrasts between Marx and George are considered. Both were initiators and advocates of social change. George's method was that of social reform, with a stress on education; Marx's method was that of revolution. To be sure, Marx thought that there was something historically inevitable about the triumph of the proletariat; however, he was far from averse to the revolutionary process being helped along by human initiative.

Exploitation

Both stressed the idea of exploitation, i.e. that one group in society was oppressing or exploiting other groups, and that this was essentially a matter of social structures. However, their views of

the principle or mechanism of exploitation differed in significant respects. With George, it was the issue of ground rents or land values, viz. that these were privately appropriated instead of being taken for community purposes. With Marx, it was 'surplus value'. This involved the idea that the capitalist class allowed only enough wealth to the working class for subsistence, appropriating the remainder to itself. However, in Volume III of 'Das Capital', there is a lengthy passage entitled 'The transformation of surplus value into ground rents', which indicates that later Marx came nearer to George's position. The following extracts from Volume 3 are from the Swan Sonnenschein edition, as given in Frederick Verinder's 'Land and Freedom'.

EXTRACTS FROM MARX

'All ground rent is surplus value, the product of surplus labour - a surplus over and above profit' (III, 743).

'This sum of money is called ground rent, no matter whether it is paid for agricultural soil, building lots, mines, fishing grounds, forests, etc.' (III, 725).

'The amount of ground rent (and with it the value of the soil) develops with the progress of social advance as a result of the total labour of society' (III, 746).

'One section of society exacts from another a tribute for the permission of inhabiting the earth. Private property in land implies the privilege of the landlord to exploit the body of the globe, the bowels of the earth, the air, and with them the conservation and development of life' (III, 898).

'To the same extent that the production of commodities develops as a capitalist production, and as a production of value, does the production of surplus value and surplus products proceed. But to the same extent that this continues does property in land acquire the faculty of capturing an ever-increasing portion of this surplus value by means of its land monopoly' (III, 747-48; cp. pp. 726, 728).

'Private property in land is then the barrier which does not permit any new investment of capital upon hitherto uncultivated or unrented land without levying a tax - in other words, without demanding a rent' (III, 884).

'The demand for building lots raises the value of the land as a building ground and foundation, and the simultaneous demand for elements of the terrestrial globe serving as building materials grows with it. It is the ground rent, and not the house, which forms the actual object of building speculation in rapidly growing cities' (III, 899).

'The fact that capitalized ground rent represents itself as the price value of land, so that the earth is bought or sold like any other commodity, serves to some apologists as a justification of private property in land, seeing that the buyer pays an equivalent for it, as he does for other commodities (sic) and that the major portion of property in land has changed hands in this way. The same reason would, in that case, serve to justify slavery, since the returns from the labour of the slave, whom the slave-holder has bought, represent merely the interest on the capital invested in this purchase' (III, 731-32).

'From the point of view of a higher economic form of society, the private ownership of the globe on the part of some individuals will appear as absurd as the private ownership of one man by another. Even a whole society, or even all societies together, are not the owners of the globe. They are only its possessors, its users, and they have to hand it down to the coming generations in an improved condition, like good fathers of families. (III, 901-902).

Evidently many Marxists are unfamiliar with such ideas.

Morality

Another contrast relates to morality. George believed in the objective moral order of the universe (in the same fashion, for instance, as did R.W. Emerson).

In 'Social Problems' George wrote that 'there is a higher law than any human law - to wit, the law of the Creator, impressed upon and revealed through nature, which is before and above human laws, and upon conforming to which all human laws must depend upon for their validity. To deny this is to assert that there is no standard whatever by which the rightfulness or wrongfulness of laws and institutions can be measured; to assert that there can be no actions in themselves right and none in themselves wrong.'

On the other hand, for Marxism morality has generally been understood in terms of that which furthers the interests of the proletariat.

Furthermore, there is the basic metaphysical or religious difference, George accepted the Judaeo-Christian outlook, i.e. a theistic viewpoint. Marx, by contrast, was atheistic in outlook, and his metaphysical basis was that of dialectical materialism, derived from or adapted from Hegel's philosophy. From one viewpoint, George's message can be seen as an expression of a religious faith, though of course from another aspect George can be understood in terms of social science (cf. George's last book, 'The Science of Political Economy'). Marxism in general has been hostile, often extremely so, to religion, although there have been Christians who had adopted Marxism as a sociology and indeed in Latin America there have been Christians and Marxists who have in fact co-operated against power structures.

Changing The World

As already indicated, George sought to explore and express objective principles of the social order, along the same lines as general principles are expressed in the natural sciences. Marxists have also claimed a scientific basis for Marxian socialism. Moreover, both systems are concerned, not with understanding and studying the world, but especially with changing it. However, the complexity of the issues here requires far more detailed treatment, and here one can only note it.

Hence there is a certain emotional element in both.

In their actual social and economic analyses, there are many similarities and differences. As already indicated, Marx did perceive the role of land, not only as quoted above, but also in The Communist Manifesto and his writings on the Irish question. For George of course land tenure was of central importance. Again, in the understanding and treatment of capital, very major differences are evident, the elaboration of which would require a separate article.

Academic Study

Another area of interest is the extent to which both systems are studied in academic institutions such as universities. Marxism of course receives widespread attention, whereas Georgism is either neglected or considered rather superficially. Here it should be kept in mind that the image of universities as centre of free, unprejudiced inquiry is not infrequently a myth. Custom, habit and conservatism may be as potent here as anywhere else. A rather typical instance is the experience of a Melbourne Georgist who, after asking a Melbourne economics academic why George was not studied, received the reply: 'Oh well, we just study Keynes in this course.' The force of the following statement by Professor John Dewey, leading American philosopher and educationalist, is just unknown in many academic circles:

'It would require less than the fingers of two hands to enumerate those who, from Plato down, rank with Henry George, among the world's social philosophers. No man ... has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker.'

Galbraith Quote

It is not altogether clear as to why Marxism receives far more attention. Possible explanations include the wider spread and greater implementation of Marxism, and perhaps an uneasy awareness

that Georgism is basically more revolutionary than Marxism. Here it is worth quoting J.K. Galbraith on Henry George in 'The Affluent Society', p. 51:

'If land were nationalized - more precisely if a tax were imposed equal to the annual use value of real property ex its improvements, so that it would have no net earnings and hence no capital value - progress would be orderly and its fruits would be equitably shared. But this, obviously, was a very drastic prescription.'

There is also the dictum attributed to Lenin, though unfortunately we have been unable to locate its original source:

'The proper application of the Georgist taxation of land values is a burden on the mentality of the people and beyond the capacity of the nation, not 10% of whom are able to read. They cannot understand it. They can only understand Socialism at present. Some day with a higher average intelligence we may adopt the taxation of land values and enjoy economic freedom, but not now.'

As already mentioned, Marxism has been implemented to a far greater extent than Georgism. Here one must keep in mind that Marxism is usually imposed by force, while yet conceding that reactionary social conditions often made violent revolution inevitable. On the other hand, Georgism relies on education and persuasion. Again, Marxism often entails some rather fierce if not negative emotions - hatred, fear, a secular messianism, etc. On the other hand, Georgist emotions are of a more positive nature, such as love of liberty. Marxism is thus likely to make an appeal to more popular passions. And it is more likely to get results quickly, even if these do not have a secure long-term foundation.

Dissonance or Harmony

In Marxism there is a strong stress on division and strife. There is also a vague vision of the ultimate socialist utopia, but the major note that emerges is a strident dissonant one.

By contrast, in Georgism there is a far greater stress on natural harmony, even though its disturbance under existing conditions is recognized.

A further point is the tyranny associated with Marxism. There is the question, for example, as to whether Stalinism was an unfortunate aberration from Marxism, or whether in fact it was the logical outcome. Many Marxists, of course, argue that the regimes in Russia and eastern Europe are not genuinely communistic or socialistic, but are really State capitalist systems. On the other hand, an influential group of young French intellectuals ('Age', 26-7-77) have openly repudiated Marxism, one reason being their belief that it does in fact lead to the Gulag Archipelago. No doubt the issue is highly complex. However, a movement whose philosophy is largely materialistic, and which stresses the State rather than the individual, is certainly in danger of moving in a totalitarian direction.

Valid Points

In assessing Marxism, it would be shortsighted indeed to overlook its valid points, e.g. its awareness of exploitation and the need for deepseated changes in society. All too often those who condemn it are essentially blind to major injustices in society.

Georgism has not been implemented to nearly the same extent as has Marxism, although it must be remembered that many attempts to introduce it have been blocked or even reversed by vested interests, who often understood Georgism just as well as its proponents. But with monopoly capitalism failing, with widespread disillusionment with collectivism, and with the inadequacies of welfarism becoming increasingly evident, the need for not only the economic reform but also the overall social philosophy of Henry George is increasingly evident.

Georgists, seeing the disorders of contemporary society and the simultaneous neglect of Georgist principles, believe that a connection exists. This provides a basis for perseverance.

Some years ago, a perceptive reviewer in 'The London Times' asserted that in the long run the choice was between Marxism and Georgism. It is suggested that this is just as applicable today.

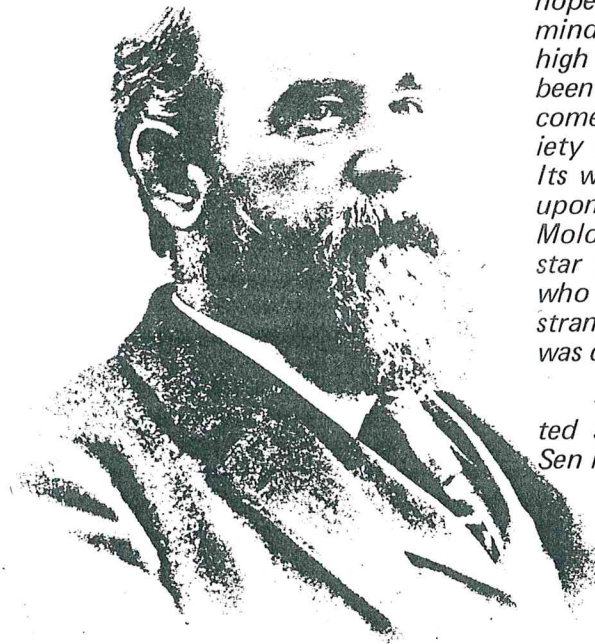
- Geoffrey A Forster.
BA BSc LTh
Melbourne, Victoria.

from An Essay

HENRY GEORGE
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By Albert Jay Nock

Finally we may remind ourselves that any re-appraisal of George, whenever made, must end as it must begin, in reverent regard for the one quality which most conspicuously sets him off against the background of the society he lived in - the quality of simple human goodness. He was one of the greatest of philosophers, and the spontaneous concurring voice of all his contemporaries acclaimed him as one of the best of men. Erasmus made it a mark of true Christians that they should be so blameless as to force infidels to speak well of them, and this George was. In the midst of an evil and perverse generation he walked worthily; in a welter of the worst passions and the meanest prejudices he remained innocent, sincere, steadfast. He is with Marcus Aurelius as 'one of those consoling and hope-inspiring marks which stand forever to remind our weak and easily-discouraged race how high human goodness and perseverance have once been carried, and may be carried again.' In time to come, the elite of mankind shall say, 'It was a society which did only what was right in its own eyes. Its works and ways bore only the mark of Rimmon upon them; the people took up the tabernacle of Moloch and Chiun, their images; they followed the star of their god Remphan. Yet there were some who were incorruptible, who walked not after strange gods; their eye was single; and one of them was called Henry George.'

- such was the man whose social morality exerted so profound an influence upon Dr. Sun Yat Sen in his formative years.



'THEOLOGY OF LIBERATION' - THE NON-MARXIST APPROACH

1. BACKGROUND INFLUENCE ON SUN YAT SEN - his formative years.

Born in 1866 of peasant stock, like Mao. Schooling in Honolulu. Becomes a keen young Christian, just as if he belonged to a youth group attached to many a church in the Australian setting. Is sent home by his brother. Later goes to Hong Kong to do his medical course. Comes under the influence of the Congregationalist missionary, Hager and of Cantlie the Salvation Army physician and of Macklin the Disciples of Christ Georgeist missionary. Teenage marriage to a Baptist villager.

It is at this stage, from his teens into his twenties, that Sun Yat Sen is immersed in the influences of evangelical Christianity and is introduced to radical liberalism on the Henry George model.

2. CONDITION OF CHINA UNDER THE MANCHUS AND THE DOWAGER EMPRESS

Defeat of China by Japan in 1895 - ignominious defeat. The Emperor must go. (Recapitulation of the Taiping Rebellion feelings.) Yet much admiration for Japan. The beginning of plotting career as a revolutionary. Visit to Great Britain and Europe. Kidnapping and rescue by Cantlie. His prayer for deliverance which increased his faith.

3. CHINESE STUDENTS IN JAPAN IN FIRST DECADE OF 20TH CENTURY.

Contact with Miyazaki brothers who were Georgeist under the tutelage of Charles Garst, brother-in-law of Macklin. Publication of revolutionary magazines in which were debated socialism and single tax Georgeist theories. Sun Yat Sen first states his Three Principles of Nationalism, Democracy and the People's Livelihood.

4. BIRTH OF THE REPUBLIC OF CHINA IN 1911.

Sun Yat Sen the first President. Betrayal by Yuan Shi-kai who was the only man acceptable to the Western powers. Onset of the warlord period. Sun Yat Sen has great visions for the international reconstruction of China but is scorned by the West. China is betrayed by the West at Versailles - they intend to carve China up along with Japan. The intellectuals despair and start to look to Russia and Marxism in the light of the success of the Russian revolution. The Sun-Joffe agreement in 1923. Sun Yat Sen's SAN MIN CHU I Lectures of 1924 in which he affirms his longstanding liberal views and criticizes Karl Marx. His death in 1925, leaving so much unfinished.

5. COMMENTS BY PROFESSOR HAROLD SCHIFFRIN OF UNIVERSITY OF JERUSALEM AND BY PROFESSOR GOTTFRIED K. KINDERMANN OF MUNICH.

see pp 24-29

6. IN SUN YAT SEN, CONFUCIANISM, JUDAEO-CHRISTIANITY and WESTERN LIBERALISM ALL COME TOGETHER, AND DEMONSTRATE 'TA-TUNG - THE SPIRIT OF HARMONY' IN THE OUTLOOK OF SUN YAT SEN.

see pp 30

Sun Yat Sen-ism, rather than Marxism, rooted in Confucian precepts but also in the Christian view of mankind and in the Georgeist view of society, is the Third Alternative for the Third World, Africa, Asia, The Americas, and China, alike.

THE 'FOURFOLD SPIRIT':

'National Dignity
National Democracy
National Welfare
National Reconciliation.'

LIBERATION THEOLOGY

'SUN YAT SEN - THE THIRD ALTERNATIVE FOR THE THIRD WORLD'

TRANSCRIPT OF AN INTERVIEW

by NEIL GILL with

PROFESSOR GOTTFRIED K. KINDERMANN - MUNICH

PROFESSOR HAROLD Z. SCHIFFRIN - JERUSALEM

For 'ENCOUNTER' series,

Australian Broadcasting Commission

18th July, 1982

The Archbishop of Manila, Cardinal Jaime Sin, has said in various interviews that some of his priests and nuns were being 'misunderstood' by the authorities because of their work on behalf of the poor.

He says 'people are going to the Left' because they see no alternative and are alienated by widespread official corruption, misbehaviour by the military and economic hardship. - news item

NEIL GILL: Professor Kindermann, Sun Yat Sen has been described as 'the Moses of China', leading his people from the tyranny of the Manchu dynasty towards a new way of life. What do you consider to be the most important element in his teachings?

PROF. KINDERMANN: Let me say that Sun Yat Sen's political philosophy was a syncretistic philosophy. It is the first basic model of a national revolutionary, social reformist and democratic ideology of Third World countries. Many countries have imitated, so far, the pattern of Sun Yat Sen's thoughts. I don't think that one can pinpoint any key element in it - one has to see all the elements together.

NEIL GILL: He died without his ideas being fulfilled in China, yet they seem to live on. Would you consider his ideas to be important in the world today?

PROF. KINDERMANN: Yes, indeed, for practical and theoretical reasons. The practical reason is that Sun Yat Sen provides for the people of China one last central point, common central point of loyalty, the starting point of the modern era in Chinese history. And this opinion is shared by people in Taiwan and on the mainland of China, and among millions of overseas Chinese throughout the world. Also, the United States is considering Sun as the only democrat among the three great leaders of 20th-Century China. The Soviet Union remembers that he was the co-founder of the first Sino-Soviet entente. And as far as the Third World countries are concerned, I was once talking to President Soekarno of Indonesia in 1963, when he told me that when he was faced with the task of constructing a new Island Republic, the newly-born Indonesian State, he was looking for a model. He was reading Marx and Lenin and Mussolini and all kinds of other authorities, but he found the useful model only in the teachings of Sun Yat Sen. So his significance is that he is above the borderline that divides the Chinese population, and if you look back, you can say that China is still divided. He had been fighting for China's unification up to the last moment of his life. He demanded full sovereignty over all formerly Chinese territory, but, as you know, many of those territories are still in foreign hands. He advocated, in a very eloquent way, democracy for China, not in an imitative form, but rather in an interesting synthesis that blended Chinese and Western elements together in something that was originally Chinese, in a modern sense. But neither the People's Republic of China nor Taiwan can be considered fully developed democracies in the Sun Yat Sen sense of the word. And of course, so far as his social philosophy is concerned he demanded land for the farmers be owned by them. He wanted to avoid the feudal, the capitalist and the socialist forms of alienation. That is to say, he wanted the farming families to own that particular concrete piece of land which they were tilling; and to achieve this objective, he devised methods that were inspired by the great social reformers Henry George and also Adolph Damaschke. In Taiwan that has been put into practice as far as at least agrarian land is concerned. And also in the cultural sphere, Sun Yat Sen did not want total Westernization of China in the sense of imitating foreign countries and foreign cultures. He rather wanted to produce a living synthesis between vital elements of China's Confucian classical past and modern elements that have to be taken over from the industrialized countries of the West. And in many ways, I think, even the communist leaders of contemporary China have come back to certain ideas of Sun Yat Sen. They're now giving more freedom to the farmers, and they have been converted by necessity to his original idea that China could develop only in co-operation with the industrialized nations. So I think that his teachings are still full of vitality, full of significance, and I was happy to see in Peking last Autumn, that for the first time in more than three decades of the People's Republic of China, they are now selling freely Dr Sun Yat Sen's teachings and ideas and books about him. So this is quite a point of departure! And as you know a few weeks ago, in Chicago, top-ranking historians from the People's Republic of China and of Taiwan met again for the first time in thirty years to discuss Sun Yat Sen's Revolution of 1911 and its impact upon the Chinese nation altogether. It is also a new development.

NEIL GILL: Sun Yat Sen had a Christian upbringing after he left China and went to Hawaii. Do you think this had a great deal of effect on his ideas and the formulation of his doctrine of land reform?

PROF. KINDERMANN: Yes, again, if Sun Yat Sen was anything, he was a syncretistic philosopher. That is to say, he drew his sources of inspiration from various teachings, from various experiences, and then created out of them a closely-knit own type of philosophy. Now he was influenced on the one side by Christianity, and before he died he confided to his brother-in-law that he was a Christian and that he had had the feeling all his life long that God sent him to China at this particular, dangerous stage of affairs to act as the saviour of China. And this feeling gave to Sun Yat Sen a very strong inner conviction that enabled him to survive quite a number of devastating defeats on his way up to power on the way of realizing his ideas. And I think that this Christian element within his own self-image and his historical role has to be considered if one wants to have a correct picture of the man. Of course, the other great influence was Confucianism. And these were to a certain degree the reminiscences of the Taiping Revolution that originated in Southern China in the area which was Sun Yat Sen's home country.

NEIL GILL: Do you consider that his teachings have something to say to developing Third World nations today, and are they being taken seriously by other nations? You have already mentioned Indonesia.

PROF. KINDERMANN: Very much so, I think, because they contain all those elements which are embodying problem areas for Third World countries, such as, for instance, how to achieve national integration in poly-ethnic countries which sometimes do not even have a common national language; how to get rid of imperialism; how to get industrial aid from abroad without becoming dependent upon foreign countries; how to achieve social reform without Communist cruelty and class warfare - all those things for which Sun Yat Sen developed solutions are still of great significance to so many developing countries. And on the Communists, for instance, Chou en lai once said that the ideas of Sun Yat Sen had had a strong influence not only on the Chinese Revolution, but also they had exercised no small influence on many Asian countries which are engaged in democratic revolution today. 'In Asia' Chou said, 'in the Arab countries and in Latin America, many esteemed patriots and far-sighted statesmen sympathize with the ideas of Dr. Sun and the cause that he espoused'. And as I told you, Soekarno once said to me, 'When I started my political career, I was dreaming of becoming the Sun Yat Sen for Indonesia'. Ho Chi Min learned in Sun Yat Sen's revolutionary camp in Canton in the 1920's and later on translated some of Sun Yat Sen's major writings into Vietnamese. In Korea, you do have five different Korean translations of the major works of Sun Yat Sen; and the same is true for a number of other Asian or African countries.

NEIL GILL: Well Professor, thank you very much for your time and your trouble, and would you thank Radio Free Europe as well for the use of their studio. We do appreciate their help.

Professor Schiffrin, you've said that you consider Sun Yat Sen to be a 'reluctant revolutionary'. What do you mean by that term?

PROF. SCHIFFRIN: Well, Sun Yat Sen was a man who spent most of his adult life fostering revolution and practising revolution. However, paradoxically, I find that in terms of his personality and his innate humaneness he was a man who was reluctant to indulge in violent methods in achieving or in pursuing his really revolutionary aims. And I call him 'reluctant' in comparison with more famous, and I would say more ruthless, revolutionaries, like Lenin, Stalin and others.

NEIL GILL: In his early years, Sun was influenced by Christianity. Do you think this had a major bearing on his formation of his ideas and teachings?

PROF. SCHIFFRIN: Yes, I certainly do. He said at one time that he identified with the humane teachings of Jesus rather than with the established churches. In the latter part of his life because of political reasons and also some personal reasons, he was not on good terms with the missionary community in China, but I believe that **his essential humanity - because I think that's the thing that stands out about Sun Yat Sen, his essential humanity** - had much in common with the teachings of Jesus and the Prophets. As one of Sun Yat Sen's colleagues once said about him, 'He does not like to kill'.

NEIL GILL: He was described once as 'The Moses of China'. Do you think that that was a fairly good summing-up of him as a person?

PROF. SCHIFFRIN: Well, he's also been described as the George Washington and Benjamin Franklin all rolled together! I think that he certainly deserves the title the 'Father' of the country because he was the prophet of the modern China, of Republican China, and after all he is the only modern historical figure who is admired on both sides of the Taiwan straits. I think that this is very important.

NEIL GILL: What would you consider to be his most important teaching in relationship to the Revolution in China?

PROF. SCHIFFRIN: Well, I think his most important teaching was that a weak and divided and backward China was an anomaly - that China sooner or later would achieve the Great Power status that she deserved. As he once told a student audience, 'We have lost the style of a great nation. We have to act like big men'. For example, he was not enthusiastic about boycotting Japanese goods - this was around 1919-1920. He said, 'We're too big for something like that. For Chinese to boycott Japanese goods is like a grandfather to get angry if his two-year old grandson acts naughty'. You know, he always tried to give this impression that China has a tremendous potential and that China can play a great role in the world. So I would say first of all, the restoration of Chinese pride - which is a very important ingredient in nationalism. Yet at the same time, the kind of nationalism that Sun Yat Sen espoused was what I call 'accommodative' nationalism, rather than resentful nationalism. And that's perhaps something that could be learned by Third World nations today. Certainly Sun Yat Sen wanted the restoration of Chinese sovereign rights, the abolition of the unequal treaties that had been imposed upon China since the Opium War of 1840. Yet at the same time he felt that China did not have to be locked into an antagonistic posture viz a viz the rest of the world. On the contrary, he thought in terms of a community of nations. He was anti-imperialist, not just because of the injustice that imperialism had inflicted upon China, but he also felt that imperialism was detrimental to the interests of the imperialist nations themselves. In other words, he felt that the Western world and Japan could benefit much more by a strong, united and independent China than by a weak China. And he actually predicted, indeed twenty five years before the outbreak of the Second World War, that a major war would take place, and that it would start in Asia, as it actually did in 1937 when the Japanese invaded China. And so I say that Sun Yat Sen tried to restore pride in the Chinese people.

Another one of his major contributions, I think, was that he felt that the modern China should not follow the haphazard economic development that characterized modern Europe. He was one of the first who realized that uncontrolled and unbridled capitalism would lead to tremendous disparities in living and social injustice. And of course he was very much influenced by the writings and teachings of Henry George whose major work 'Progress and Poverty' became a per-

manent theme, I think, in Sun Yat Sen's political philosophy - the paradox of, on the one hand, technological and material progress, and on the other hand poverty. And Sun Yat Sen was one of the first Chinese leaders who was determined that in planning for the future economic development of China, measures should be taken to prevent the social injustice that had accompanied the haphazard and uncontrolled development in the West. And this became a permanent tenet in all types of nationalist thinking in China. I cannot think of any modern leader in China who wanted merely to ape Western capitalism. All of them thought in terms of some sort of social control of economic forces so as to ensure more equality.

NEIL GILL: Sun Yat Sen had been quoted as saying that social problems are not sorted out until one has solved the land problem. Do you consider that an important aspect of his teaching?

PROF. SCHIFFRIN: Yes. He saw the solution to the land problem in the land value taxation formula as expounded by Henry George, John Stuart Mill and others. He saw this as one of the major pillars of his social economic policy. He also believed that the State should have control of the natural monopolies, of public utilities and so forth. Speaking generally, I would say these were the two planks in his social economic programme - one, the land value taxation method in order to prevent speculation in land, that is, the expropriation of the unearned increment in land values; and second, government ownership of public utilities and natural monopolies.

NEIL GILL: Do you see his teachings being put into practice in any developing countries outside of China at the present time?

PROF. SCHIFFRIN: Well I would say that the country that most closely follows Sun Yat Sen's teaching is, of course, Taiwan, that is, the Republic of China. On the other hand, some of his general ideas, like the idea of tutelage, this means a transitional period before the achievement of real democracy, this idea has caught on in a number of places; and Sun Yat Sen was inspired in a number of people, like Soekarno of Indonesia; and his name is mentioned all over the world not so much for some of the specific things that he taught, but for the general ideas that he espoused - nationalism, socialism, democracy, and above all, his personal life, his indefatigable pursuit of revolution in order to make China great. You know they say there's a difference between Western philosophers and Eastern philosophers. In the West, philosophers, academic philosophers, preach in the classroom and then go out and act like everybody else; but in the East a philosopher, a thinker, is judged mainly by the way he lives. And Sun Yat Sen was a man who devoted his entire life to politics, but as the Chinese say, millions of dollars went through his hands, but not one penny stuck to his fingers. So, the way he lived and his tremendous patience after suffering so many disappointments - actually his whole life was one disappointment after another and one betrayal after another by foreign countries and even by followers, and yet he persisted because he identified himself with the fate of China.

NEIL GILL: What significance do you think he has for the modern world now?

PROF. SCHIFFRIN: For the modern world, Sun Yat Sen was one of the people who before the post Second World War interest in international co-operation and assistance in development, he was one of the people who pointed out as early as 1919 and 1920 that the only way to prevent future wars and conflicts was for the developed countries to assist the underdeveloped countries and that the entire world - mankind - would benefit more by international co-operation than by competition and rivalry. When we read his book 'The International Development of China' which occurred in 1920 we realize that he was indeed prophetic.

NEIL GILL: Thank you very much for all the help you've given us. And I would like to thank on behalf of the ABC our friends at the Israel Broadcasting Authority for the use of their studio.

We are most grateful for that to make this interview possible.

EXTRACT FROM PAPER ON 'SUN YAT SEN - RELUCTANT REVOLUTIONARY'

Professor Harold Schiffrin, Jerusalem

'I believe that for most of his life Sun was what I called a 'reluctant revolutionary.' I use the term in a positive sense. I mean that he did not take easily to the toughminded, ruthless role that revolutionary leadership usually requires. He did not relish the idea of conflict, especially prolonged conflict. This may seem paradoxical when speaking of a man who chose revolution as his vocation, and who in fact instigated so many armed uprisings and military expeditions. But I believe that reluctance to endorse violent measures - against foreigners as well as Chinese - explains his readiness to seek alternate means of achieving his ends, to mitigate threats with peaceful gestures, and to be anxious to accommodate rather than to eliminate opponents. In sum, I believe that Sun's personality lacked the brutality of the Leninist mode of leadership. Thus temperament, no less than objective constraints, influenced his pattern of leadership.

But while exhibiting extreme fluidity in practice, Sun showed remarkable tenacity of purpose. What is especially remarkable is that in a very early stage of his career he formulated goals from which he never wavered. By 1905-1906 with the formation of the T'ung Meng Hui, Sun had laid down the programme which would not change substantially twenty years later at the time of his death. Furthermore, the goals he postulated at that time have been of enduring significance, and are still pertinent, not only for China, but for contemporary modernizing societies.'

EXTRACT FROM PAPER ON 'SUN YAT SEN-ISM AS A CASE AND MODEL OF THIRD WORLD IDEOLOGIES'.

Professor Gottfried K. Kindermann, Munich

'In order to achieve the objectives of rural and agrarian land reform, Sun Yat Sen advocated the 'equalization of land rights'. In the sense of methods advocated by Henry George and Adolf Damaschke that were concretely practised in the German leased territory of Kiachow, Sun meant by this the socialization of any unearned increment to the original land value through public improvements or social progress. What counts in the case of Sun Yat Sen is the basic objective of striving for a nationwide increase of private land ownership by the farmers. This is a significant point if one considers in retrospect the great difficulties arising in Vietnam, Russia and China from the collectivization of agriculture in forms that replaced the alienation created through rent capitalism, with alienation created through collectivization. Sun wanted neither form of alienation but rather **free farmers producing with the incentive of self-owned private land.* That ideal and vision is still attractive to hundreds of millions of farmers in developing countries.** (This system of private entrepreneurship could be made fully Georgeist, with the equalization of land rights, by requiring the annual site rent for each farm to be paid to the whole community by being collected through each local county. K.N.G.)

* See quotation p30 from the Hebrew prophet, Micah, in which this concept of the smallholder is projected.

'TA-TUNG' - THE SPIRIT OF HARMONY

THE CHINESE TEACHER - CONFUCIUS

'When the Great Way prevailed, every person was a part of public society, and public society belonged to everyone. The virtuous and the able were chosen for public office. Fidelity and friendliness were valued by all ... Able-bodied adults were usefully employed; children were reared properly ... All men shared their social responsibilities ... Natural resources were fully used for the benefit of all and not appropriated for selfish ends. People wanted to contribute their strength and ability to society for public good - but not for private gain ... This was the Age of the Great Commonwealth of peace and prosperity.'

THE HEBREW PROPHET - MICAH

'In the last days it shall come to pass that the mountain of the house of God shall be established in the top of the mountains and it shall be exalted above the hills and people shall make pilgrimage to it. Many nations shall come and say, 'Come and let us go up to the mountain of God and to His temple; and He will teach us of His ways and we will walk in His paths' ... And He shall judge among many people and rebuke strong nations afar off; and they shall beat their swords into plowshares and their spears into pruning hooks; nation shall not lift sword against nation, neither shall they learn war any more. But they shall sit every man in peace in the prosperity of his own vineyard and none shall make them afraid.'

THE AMERICAN PHILOSOPHER - HENRY GEORGE

'Christianity teaches us that all men are brethren; that their true interests are harmonious, not antagonistic. The artificial regulation of Society, in all its phases, looks on the evils of our civilization as springing from the inadequacy or inharmony of natural relations, and fails to see the order and symmetry of natural law. On the other hand we see in the natural social and industrial laws, such harmony as we see in the human body ... While we see that man is primarily an individual, we also see that he is a social being, and that the State is requisite to social advance, having an indispensable place in the natural order ... (And so) we would simply take for the community what belongs to the community, the value that attaches to land by the growth of the community; leave sacredly to the individual all that belongs to the individual and, treating necessary monopolies as functions of the State, abolish all restrictions and prohibitions save those required for public health, safety, morals and convenience.'

THE WORLD STATESMAN - SUN YAT SEN

'Why has the West not solved the social problem? Because it has not solved the land problem ... The poor have no fields to till, and so they must crowd into the industrial cities for work ... Class struggle develops when a social group lacks the means of livelihood and resolves as the last resort to use abnormal means of obtaining its livelihood. It is not the cause of social progress but a kind of social disease. Marx's trouble was that he mistook a social pathological condition for the cause of social progress. Modern economic progress is caused by the harmony not the conflict, of the economic interests of society. Why is there harmony? Because all men must live, and all men face the everlasting problem of livelihood. They either perish through conflict, or live through co-operation.'

Paper 2

SUN YAT SEN laid down a programme for political 'tutelage', that is, he looked to the gradual evolution of democratic precepts and practices in China as the people progressed in their political awareness and education.

With his intentions in mind, this paper is included as a salute to Sun Yat Sen's 'Principle of Democracy'.

AN AUSTRALIAN CONTRIBUTION TO EXPERIENCE IN THE CONDUCT OF POPULAR ELECTIONS

The Principle of Democracy: 1981 -

In Australia, elections are constantly in the news. There is extensive press, radio and television coverage at the time of the elections. Statements relating to elections and electoral methods by politicians, comments by journalists and academics, and letters from newspaper readers appear frequently. Indeed, elections of one kind and another occur often enough for some people to complain that Australia has too many elections!

In many respects, the history of electoral procedures in Australia is unique. The first election of members of a parliamentary body took place for the Legislative Council of New South Wales in 1843. The franchise for this election was limited. In the following few years there was increasing pressure for broadening the franchise, and legislation was enacted in South Australia in 1856 and in Victoria in 1857 providing for adult male suffrage. An election in Victoria in 1856 was the occasion for the first time anywhere in the world of the use of the written secret ballot in a parliamentary election. Women were given the right to vote for the first time in a British country by an act passed in South Australia in 1894.

There has been extensive use of methods of election that have had little or no use elsewhere. Preferential voting in one form or another has been in use since 1893. Methods designed to give proportional representation have also been used extensively. A system of proportional representation has been used for elections for the House of Assembly in the State of Tasmania since 1909, and will be referred to again in more detail, later in this paper. Proportional Representation was introduced for the Federal Senate in 1949, the method being similar to that used in Tasmania. This is the application of the method involving the largest number of voters in the world.

Most of these experiments in electoral methods resulted from initiatives by individuals or minority groups. The methods introduced were usually promoted as means of achieving the purposes of elections better than the methods that they were designed to replace. But the truth of such claims cannot be assessed without some understanding of what the proper purposes of elections are. The need for elections arises from the requirement for the choice of a relatively small number of people to act for a community or State, taking responsibility for its government or for some aspect of government. For democratic government, it is necessary that the governing body should be of a kind that is capable of gaining and maintaining the support of the people. This is most likely if the gov-

erning body is so constituted that the decisions it makes on issues of public interest are consistent with the views of the people on these issues. It is unrealistic to expect people to accept and continue to support a governing body unless it is generally recognized that the decisions of this body are reached after presentation and consideration of the views of all significant groups in the community, and unless there is convincing evidence that each decision is a genuine 'majority' decision.

Ideally, a governing body should include spokesmen for all significant bodies of opinion so that their views can be effectively presented. If these bodies are represented according to the strength of support for their views, decisions reached are likely to be essentially the same as the community would reach on the same questions if it were possible for the information and views presented to the governing body to be presented to the community as a whole. **THE FIRST REQUIREMENT FOR DEMOCRATIC GOVERNMENT IS EFFECTIVE REPRESENTATION OF THE PEOPLE.**

A viewpoint often expressed is that the principle requirement of an election is that it should lead to the formation of a 'government', and that electoral systems should be designed to ensure that this must happen, no matter what else the system may fail to do. It is certainly important for the welfare of a State that the people in it should reach agreement about the kind of government that they want, as there is plentiful evidence from history that failure to do so provides opportunity for unelected groups or individuals to seize power. Many writers refer to the desirability of 'strong government', and this is usually interpreted to mean a government capable of outvoting any opposition. In a democracy, the only acceptable strong government must be a government strongly supported by those governed.

What are the purposes of elections? In her book entitled *VOTING IN DEMOCRACIES*, Enid Lakeman summarizes them as:

- (i) A parliament reflecting the main trends of opinion within the electorate.
- (ii) Government according to the wishes of the majority of the electorate.
- (iii) The election of representatives whose personal qualities best fit them for the function of government.
- (iv) Strong and stable government.

Principles applying to the election of parliaments and other governing bodies are set out in Article 21 of the United Nations Universal Declaration of Human Rights. Section 21 (1) states that:

Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.

Section 21 (3) reads:

The will of the people shall be the basis of the authority of government: this will be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

The validity of electoral systems can be assessed by examining their performance in relation to the purposes of elections and to the principles set out in the Universal Declaration of Human Rights. With its record of experimentation in electoral methods, Australia provides a large amount of information on the actual performance of various methods. Some of them have been used for many elections so that fairly reliable conclusions can be drawn. This paper will now outline the methods currently in use in Australia and will express an opinion as to the most satisfactory in achieving representative government.

In Australia voting is compulsory. It was argued that the true opinion of the people could not be shown unless most, and preferably all, of the people voted. The contention that compulsory voting might be an infringement of liberty was countered by the argument that no voter would really be compelled to vote for a person of whom he did not approve. He would merely be compelled to attend at a polling booth and could, if he wished, leave his paper unmarked. One noticeable difference between elections in Australia and in countries where voting is voluntary is that political parties and candidates in Australia need give no attention to persuading their supporters to 'turn out' and vote.

Important as it is that people should have the right to vote in elections of the bodies that govern them, the availability of this right does not necessarily ensure effective representation. The outcome of the election depends very much on the method of election used, that is, upon both the manner in which the voters mark their ballot papers and upon the rules under which those votes are subsequently counted.

In elections of State and Federal parliaments and local-government bodies in Australia, extensive use has been made of methods based on the division of the area concerned in an election into electoral districts each returning one member to the elected body.

In early parliamentary elections in Australia, with single-member districts, the method commonly adopted was the one used for the British House of Commons. Each voter was allowed to record a vote for one candidate, the numbers of people voting for the several candidates were recorded, and the one with the largest number, being 'first-past-the-post', was declared elected.

Where this 'first-past-the-post' system is used, the voter can express his intention either by marking a cross against the name of the candidate whom he wants, or else by crossing out the names of the candidates whom he does not want. This latter variant is often used in clubs and societies where there is a 'block' of candidates to be elected to a committee. Thus, if there are, say, ten to be elected, then the ten candidates with the highest numbers of votes each are, to pursue the horse-racing term, the 'place-getters'.

But this system has some obvious marked disadvantages. For example consider an election where candidate A gains 20,000 votes, candidate B gains 19,000 votes and candidate C gains 18,000 votes. Under first-past-the-post candidate A would win, even though there were 37,000 votes cast against him. If B and C represent political parties that are akin, like the National Country Party and the Liberal Party in Australia, then, by 'splitting their vote' into 19,000 and 18,000, they actually interfere with each other and allow A, their common rival, the Labor Party, to 'slip through on the rails'. Under first-past-the-post, to be sure of winning, they would have to field only one candidate between them - gaining the aggregate of 37,000. But the price to be paid is the loss of individual identity of the Parties. Thus it came about that in 1918, 'first-past-the-post' was changed for Federal elections in Australia, so that Country Party and Liberal (National) voters could exchange preferences with each other. Single-member electorates were still used, but in order to win, a candidate had to obtain an absolute majority of the votes, either outright or by receiving preference votes from some other candidate when that latter candidate was excluded in the course of the vote counting.

Thus, in the numerical example given, the initial voting could have been:

Labor Party	20,000 votes
Liberal Party	19,000 votes
Country Party	18,000 votes

The Country Party candidate, being the lowest, would be excluded, and his votes would be transferred to one or other of the remaining candidates, in accordance with the manner in which the voter had expressed his 2nd preference on the ballot paper. One would expect a Country Party voter to mark his ballot paper preferentially as follows

Labor candidate	(3)
Liberal candidate	(2)
Country candidate	(1)

If all of the Country Party voters marked their ballot papers in this manner, then the Country Party ballot papers would all be transferred to the Liberal Party candidate shown as no. 2 preference. The Liberal Party candidate would thus be elected. This is typical of the manner in which the elections for the House of Representatives in Australia still operate; the Liberal candidate would be declared elected by the Returning Officer because he had achieved over half of the votes. This system is the 'majority-preferential' system, and it operates in single-member electorates.

Although it is a better system than 'first-past-the-post', nevertheless the majority-preferential system can still yield a very wrong result. One could easily imagine a whole list of seats in which there was a very substantial Labor Party vote, but in each of which the Labor Party was in a minor-

ity. Let us say that there were 60 seats involved.

The total Labor vote would be $60 \times 20,000 = 1,200,000$, and you can see that in the wide area covered by these 60 electorates there would be over a million people who did not elect anyone. There could be other regions where the Labor vote prevailed in majorities. The final composition of the Parliament could thus depend upon just how far the scales were tipped in one direction or the other, and the outcome might bear no relation to the way that the people had voted throughout the nation. This is the great inbuilt disadvantage of any form of electoral system based on single-member electorates.

Thus it came about that in the 1980 Federal Election in Australia, the result was as follows:

	Seats earned as a percentage of the national vote	Seats actually won
Labor	56	51
Liberal	47	54
Country Party	11	20

It is my view that such a result is not in keeping with the expressed United Nations Declaration.

However, there is an alternative method of election which has been used for Lower House elections in the State of Tasmania since 1909 and which has been used for the Australian Senate since 1949. This is the system based on multi-member electorates in which voters again mark their ballot papers in a preferential 1-2-3-4-5 manner, but in which the votes so marked are counted in quotas. In Tasmania the 35 seats in the Lower House are grouped into 5 electorates which each return 7 members on a quota. For 7 members, the quota is 1 vote over one eighth of the votes cast. For the Australian Senate, each State constitutes one large multi-member electorate returning 5 Senators on a quota. For a 5-member region, the quota is one vote over one sixth of the votes cast. The system can be described as the 'quota-preferential' system, and works to the satisfaction of all Parties. Thus, in a Tasmanian electorate, a typical result might be 4 Labor to 3 Liberal, whilst in the Senate, a State might return 2 Labor Senators, 2 Liberal Senators and 1 Country Party, or perhaps 1 Democrat. As for the people, 'everyone wins something', and I would like to imagine that this is a system of which Sun Yat Sen would have thoroughly approved as being in keeping with the Confucian concept of 'Great Harmony'!

I would like to stress the fact that this 'quota-preferential' method is appropriate not only to parliamentary elections, but has also great relevance to the elections of committees, whether these be for municipal councils or provinces - or even a local sporting club.

I want to conclude this brief survey of electoral systems based upon Australian experience by making a definitive statement, which is also a plea. It is this:

In any situation which calls for the election at one and the same time of a number of candidates, there is only one type of electoral method which can ensure that the candidates elected are those commensurate with the expressed wishes of the voters. That system requires that the ballot papers be marked preferentially, and that the votes shall be counted on the appropriate quota.

In the State of Tasmania to which I have earlier referred, the system has become very refined, and is known specifically as the 'Hare-Clark' method, after Hare who evolved it in the nineteenth century, and Clark the Tasmanian Attorney-General who introduced it in 1908.

I am fully aware that many countries in the world do not operate under a system of multiple number of political parties. Nevertheless, even if there is but one political Party operative but where there is nevertheless voting for the election of candidates to representative Assemblies whether these be at the national or provincial or county or municipal level, what I have outlined still applies.

Wherever there is a free choice for voters amongst the candidates who have been nominated, it is of cardinal importance that those candidates should be elected under the voting system who most truly represent the broad spectrum of the people; and that the people should be able to give effective expression, by their votes, as to what they see as the relative merits of the candidates, even with a one-Party situation. It is not hard to see that if the electoral result is such that people gain no re-

cognition for their preferred candidates then the stage is set for a great deal of internal dissension within that particular political framework. I want to leave the thought that quota-preferential voting, for the election of assemblies and councils and committees of whatever sort and at whatever level, is an insurance in favour of political stability and harmony and community goodwill. When a candidate achieves a QUOTA, what this virtually means is that there is a QUOTA of people within the community who exist and whose existence is recognized in the very fact of election. He is therefore present within the body to which he has been elected by right - by a right which is rooted in the political rights of that substantial body of people within the community who, by their expressed wishes through the ballot box, have put him there. Quota-preferential voting thereby implies that there cannot be any 'stacked', unrepresentative assemblies. In a letter to The Times when, a matter of decades ago, there was a move in Ireland to abolish this system of proportional representation, the writer made a plea for its retention, claiming that it had been a 'healing force' within Ireland, and that since its introduction, 'the gun is silent'.

Dr. Sun Yat Sen was a revolutionary, and in the desperate conditions of China at the time of the overthrow of the Manchu dynasty it is difficult to see how it could have been possible for a stable new regime to have been achieved without force of arms. But I believe that Sun Yat Sen was essentially a man of peace. One can see, from examination of his concept for the equalization of land rights, that he saw in it an insurance policy to solve the land question before it could get out of hand. Had he been able to bring this to fruition, then China would indeed have been spared much sorrow. I happen to share Sun Yat Sen's passionate conviction in this regard. And I am attracted to him as a man of peace and to his vision for the peaceful attainment of social justice. Social justice has its three arms, National sovereignty, Democracy and Livelihood. It has been my great privilege and honour to have been able, in this paper, to dwell upon two of these, and, from Antipodean experience, to point to directions in which the visions of Dr. Sun Yat Sen for his beloved country, might yet be further brought to practical reality.

SUN YAT SEN — SAN MIN CHU I — HONG KONG

THEME:

The curse of Western type economic systems is the fact that the economic benefits of social and scientific advance are persistently capitalized privately into the price which can be demanded for land. This, over the course of the last century, and more, has been the source of great unearned fortunes for the few, with continued poverty for millions of people who are landless. Higher standards of education, when they become generalized, can only serve to increase the value of land, rather than the general level of wages. Such is to be observed in Hong Kong, as in other major cities of the world, where competition for employment is intense.

Sun Yat Sen, steeped in his reading of John Stuart Mill and of Henry George, beheld this selfsame problem in Canton and Shanghai, teeming cities even then. Sir George Grey had seen the hand of the landlord in Ireland and that of the land speculator in the raw colony of New Zealand. All shared the view that "the land problem" must be solved.

In 1981, the answer for Hong Kong, as for Taiwan, as for mainland China, is to promote a free market economy — whereby economies in trade and technology may be maximized so that living standards may rise. BUT this must be coupled with *the socialization of land rentals* through an annual land value tax, so that these may become the true social dividend in which all may share. Australian experience shows that the dreams of Sun Yat Sen for the world can be turned into the practical reality.

* * * * *

Sun Yat Sen has been described as a dreamer, rather than a man of practicalities. Much water has flowed under the bridge since his death. There has been the convulsion of a world depression and of another world war. There has been the convulsion in the history of China, a saga that is ongoing, and concerning which I most sincerely believe that Sun Yat Sen is going to become increasingly relevant. It is with a certain degree of wisdom of hindsight that we can now view him, and the greatest homage that I want to be able to pay to Sun Yat Sen is to affirm that he was not merely a dreamer but that his visions are capable of being turned into practical reality.

But in order to demonstrate the prophetic wisdom of Sun Yat Sen, I want to first paint a picture of Hong Kong at the present time. There is a series of books on "Great Cities of the World", published by Time-Life. The one on Hong Kong is by Robert Elegant, and this is what he has to say in his chapter entitled Money Mad Metropolis:

"In the mid-Seventies the maximum rate of tax on earned income was only 15 per cent, and only 220,000 of Hong Kong's 4.5 million people paid any income tax at all. The low taxes, bountiful business opportunities and deliberate lack of restraints on the acquisition, deployment and flow of money collectively made, of course, for a capitalist's paradise.

It is not difficult to spot *the millionaires among the toiling masses*. In Hong Kong, the surest measure of a man's wealth is the property he owns. I learned the truth of that maxim soon enough when I moved into a house on Shouson Hill Road, near Deep Water Bay, and met my neighbour and landlord. The man had started his working life as a gravedigger. Physically he resembled an amiable, retired China Coast pirate. Although lacking polish and a higher education, he was one of the most popular and respected millionaires in Hong Kong.

He was a multi-millionaire because, several decades ago, a wealthy Hong Kong family had rewarded him for faithful service by making him a gift of a small parcel of land in Shouson Hill Road. *The land* has soared in value to at least \$1 million. *It provided the financial base on which he built elaborate and lucrative corporate structures.* More appropriately,

the ex-gravedigger invested some of his money in burial land, where a six-year tenancy of a six-by-three-foot grave plot can cost the surviving kin as much as \$10,000, and long term occupancy of a similar area will quite easily sell for anything up to \$60,000.

Since the greater part of Hong Kong's 404 square miles is mountainous and unsuitable for development, the reason for ever-rocketing land prices is obvious. And, in the long-term, the government is the greatest beneficiary of all. By law the government owns all land in the Colony, and it sells the leases (up to 75 years) at public auction to the highest bidder. Ever since the Colony was born, the sale of Crown Land leases has been a major source of government revenue. But today, *with the prize sites long since sold*, its annual revenue from land transactions, \$26 million-plus, is only a fraction of the revenues from taxes on earnings and profits (well over \$400 million) and not spectacularly more than the \$24 million or so derived from the taxes on betting."

I cannot refrain from interposing here the remark that the Crown has been most foolish in thus selling out its birthright for a mess of pottage. Indeed, if "the Crown" is but another way of stating, albeit in constitutional terms, "the people", then by what right has the birthright of all the people been thus dissipated? Will it take yet another even more modern Mao to get it back again! One of the conclusions of this paper, based as it is fairly and squarely on the very teachings of Sun Yat Sen, will be to show how this wrong can be righted by evolutionary rather than revolutionary means, by the stroke of a pen rather than from the barrel of the gun. I might also indicate that the same type of mistake was made in the Australian Capital Territory where Canberra is situated: long-term leases at *fixed* rentals were granted, and the subsequent private sale of these leases has resulted in such immense windfalls in capitalized gains that the price of leases in Canberra makes land as expensive there as if it had been straightout freehold. In addition the situation has been compounded by the unhappy action of the Gorton Government, seeking political favour in 1970, even abandoning the requirement to pay any rentals. But to round off this cameo of Hong Kong:

"Meanwhile, property owners continue to seize opportunities to make astronomical profits. Early in the 1970's, for example, the cost of housing increased 200 per cent in a single year. Even millionaires thought twice about buying at that time. A Hong Kong movie mogul hesitated to offer 400,000 dollars for a house on a sixth of an acre. Two months later, when he made up his mind to buy, the price had reached \$850,000.

The saddest millionaire I met was an American who wanted to buy a pleasant little house with a nice view. The seller hoped to exact an offer of only \$300,000 but he was advised by his astute lawyer not to sell directly to the American but to go to auction because prices were escalating so fast. Within five minutes the bids soared beyond the \$1 million mark, and the American had long since dropped out."

So you see, if even American millionaires become drop-outs in Hong Kong, what real hope is there for today's generation of school children, competing as landless peasants, in the rat race? The "toiling masses", indeed!

Let me, even though it hurts, now quote from an article in the London Observer by Brian Eads, republished in July of this year in the Melbourne AGE. It is headed "Rat race starts at three", and goes on to say:

"The Chinese child learns about competition early. To reach the top in Hong Kong it is important to slot a child into the right groove from the earliest age . . . Eight suicides in two months in a school population of more than one million may not be significant statistically, but they have concentrated minds on the price being paid by Hong Kong's youth for a future in what is widely regarded as a haven for free enterprise and the market economy."

Having thus set the scene of what you face right here in Hong Kong in your own territory in 1981, let me take you back in time to the young Sun Yat Sen, studying hard in the British Library in London in 1897. Among the writers whom he studied were two who in particular fired his imagination. One was John Stuart Mill, and the other was Henry George. And, unbeknown to him, in his declining days was that Grand Old Man of English colonial history, Sir George Grey, maybe

only a few minutes away from Sun Yat Sen by hansom cab, had he but known! What a wealth of experience and wisdom could the aged Grey have imparted to the young man. Grey, graduate with honours from Sandhurst, had been so disgusted at the hand of the English army and English landlordism in Ireland where he had been sent, that he resigned his commission and migrated to Australia in 1837, determined that as far as lay within his power the miseries and injustices of the Old World would not be visited upon the New.

"I saw enough there to give a bias to my mind for ever as to the necessity for change and reform. It was really from a desire to find relief for that misery that I went to Australia. In all my walks on deck, on my first voyage, my mind was filled with the thought of what misery there was in the world, the hope there was in the new lands, and the greatness of the work of attempting to do something for the hopeless poor. *The effort to get lands, made by single individuals, seemed to me a wrong to humanity. To prevent such a monopoly in the new countries has been my task ever since.*"

Sir George Grey served first as an explorer in Western Australia, then at the age of twenty-eight, as governor of South Australia, then as governor of New Zealand, then as governor of South Africa, then the second time as governor of New Zealand. For a short time he was Prime Minister of New Zealand. His span of colonial service spanned over half a century, and there is a bust to his memory in St. Paul's Cathedral in London, where he is buried. In 1868-9, whilst in England, in the words of his biographer, Professor Rutherford, he discussed with John Stuart Mill the theory of the unearned increment of the land, and became an enthusiastic convert. Nothing could be more just, he thought, than that the State should repossess itself of part of the wealth that accrued to the owner merely by virtue of the increased value given to the land by the labour of others or by the natural growth of the community round about it. The principle, so Professor Rutherford comments, was later widely popularized in a modified form under the name of "Single Tax", but before George's PROGRESS & POVERTY was published (1879) Grey had brought the idea direct from England to New Zealand in his 1878 Land Tax Act.

Are we then to doubt the source of inspiration for Sun Yat Sen when, in the very first decade of this century he spoke of Equalization of Land Rights, and declaimed:

"Why can the West not solve the social problem? *Because it has not solved the land problem.*

With all progress of civilization, land values increase . . . the poor have no fields to till and they have to depend on industrial work to make a living."

The analysis that Sun Yat Sen gleaned from Mill and George is the bullet that is going to have to be bitten upon hard in Hong Kong today, so that there may be more of a future for its young people, even if it means a few less millionaires who have grown rich on unearned increment.

I have yet one more quotation to make from the writings of Henry George, because it is highly relevant to the present day. In his book *Social Problems*, there is a chapter headed "Shooting Rubbish". The rubbish referred to was the human "rubbish" of Irish peasants forced off their land and shipped across the Atlantic to America whilst the country of their birth, like the highlands of Scotland, was turned into a sheep run at the pleasure of the landowners. George had this to say:

"We (in America) are not merely getting these surplus tenants of English, Scottish and Irish landlords — we are getting the landlords, too. Simultaneously with this emigration is going on a movement which is making the landlords and capitalists of Great Britain owners of vast tracts of American soil. There is even now (1884) scarcely a large land-owning family in Great Britain that does not own even larger American estates, and American land is becoming with them a more and more favourite investment. These American estates of "their graces" and "my lords" are not as yet as valuable as their home estates, but the natural increase in our population, augmented by emigration, will soon make them so.

Every "surplus" Irishman, Englishman or Scotsman sent over here assists directly in sending up the value of land and the rent of land. The stimulation of emigration from the Old Country to this is a bright idea on the part of these landlords of two continents. They get rid of people whom, at home, in hard times, they might have to support in some sort of fashion, and lessen, as they think, the forces of disaffection, while at the same time they augment the

value of their American estates.”

Now it has to be said that right at this present time there is a great deal of disquiet in Australia at the extent of Malaysian, Singapore and Hong Kong investment, to the tune of hundreds of millions of dollars, in prime Australian real estate. Having made their fortunes out of the toil of your local “peasants”, they are now proceeding to make their further fortunes out of ours, so it seems. They believe in what Henry George and John Stuart Mill and Sun Yat Sen have had to say — in the same sense that the Devil believes in Scripture! I take my stand with Sun Yat Sen in asserting that this state of affairs should not be allowed to continue. It is the Livelihood, the welfare, the well-being of our peoples that is at stake — and if we are to take Sun Yat Sen at all seriously in all the implications of his writings and teachings and strivings, then we must set our hearts and heads against the continuation of this monstrous evil.

Now let us come to the heart of the matter — Sun Yat Sen’s own words on the subject; and I am now going quote directly from SAN MIN CHU I. The Republic of China recently issued a precised version of San Min Chu I, and to my regret they have left the section that I am about to quote out. I regret it because it is a section that is cardinal to that portion of Sun Yat Sen’s programme that had real teeth in it — and for the lack of which the price of land is high in Taipei as in other great cities of the world — and students there, as in Hong Kong, have to compete to the point of exhaustion. I quote from the English translation by Frank W. Price, published in Shanghai in 1928:

“The land question had felt the first and most serious effects of the modern Western impact. Take, for example, land in Canton since the building of wide streets: what a difference there is between land values on the Bund now and twenty years ago! Land on the Shanghai Bund is about ten thousand times as valuable now as it was eighty years ago. Formerly, land ten feet square cost about a dollar; now the same amount costs ten thousand dollars. Land on the Shanghai Bund is now worth hundreds of thousand of dollars a *mow*; land on the Canton Bund is worth over a hundred thousand a *mow*. *Chinese land has only to come under Western economic influence to transform its owners into millionaires like the capitalists of the West.* (My italics.) But this marked effect of economic development upon land values is not true only in China; all other countries have experienced the same thing. At first they did not notice the fact or pay much attention to it. Not until the disturbances in the economic order became acute did they give their attention, and then it was not easy to remedy the situation, “to turn back with the accumulated burden”. The Kuomintang must, as a matter of foresight and of precaution against future difficulties, find a solution of this problem of fluctuation in land values.” Sun Yat Sen then quoted the case of a drunkard in Australia who unwittingly bought land at an auction for \$300, which eventually returned him millions although he himself did nothing. “To whom did these millions belong? In my opinion they belonged to everybody. For it was because the people in the community chose this section as an industrial and commercial centre and made improvements upon it, that this tract of land increased in value and gradually reached a high price. In the same way it is because we made Shanghai an industrial and commercial centre of central China that the land values in this city have increased by the thousandfold; and it is because we made Canton an industrial and commercial centre of southern China that the land values in this city have also increased by the thousandfold. Both Shanghai and Canton have only a little over a million people each; if the population of either city should suddenly move out of the city limits or some natural or artificial calamity should wipe out the population, do you think that land would still bring the same high price? *This proves that rise in land values should be credited to all the people and their efforts; the landowner himself has nothing to do with the rise and fall.* So foreign scholars speak of the profits which the landowner gets out of the increased price of land as *unearned increment* a very different thing from the profits which industrial and commercial manufacturers get by dint of hard mental and physical labour, by buying cheap and selling dear, by all sorts of business schemes and methods. We have already felt that the profits which the industrial and commercial leaders make by monopolies over materials are not just profits. But these men at least work hard; the landowner, however, simply holds what he has, does not use a bit of

mental effort, and reaps huge profits. Yet, what is it that makes the value of his land rise? The improvements which people make around his land and competition which they carry on for possession of his land. When the price of land rises, every single commodity in the community also rises in price. So we may truly say that the money which the people in the community earn through their business is indirectly and imperceptibly robbed from them by the landowner."

What a damning indictment of our present situation! Of course it was at this point that Sun Yat Sen parted company with the communists. The irony of the situation lies in the fact that since the real estate of mainland China now vests in the State, they will never have the hassle, in the matter of land tenure, of having to even talk about paying out huge sums in "compensation". If I could indulge in the luxury of solving the Communists' ideological Marxist hangups in a sentence, I would say this: "Socialize the rent of the land and grant the people freedom". The Communists claim Sun Yat Sen for Communism. They quote him saying, "What is the Principle of Livelihood? It is communism and it is socialism." But they must take this in context, in the context of Sun Yat Sen's whole lecture. Intellectual honesty demands that they do so. And let us remember that he was speaking at a time when the Communists and Sun Yat Sen's Party were supposed to be working in harness together. Assuredly Sun Yat Sen said that the Principle of Livelihood was "a form of communism". But in what did his concept of communism have its roots? It was a concept vested in the Equalization of Land Rights. *Differential land values* still is a concept that has no place in the thinking of the government of the Chinese mainland. If they are going to claim Sun Yat Sen, then they are going to have to genuinely study him again, and not only him, but Adam Smith and Ricardo and Mill and George, for it was these writers, rather than Marx, in whom Sun Yat Sen's ideas were grounded. Let me lay it explicitly on the line for them, with further quotation from San Min Chu I:

"If livelihood does not go right, social culture cannot advance, economic organization cannot improve, morals will decline, and many injustices such as class war, cruelty to workers, and other forms of oppression will spring up — all because of the failure to remedy the unfortunate conditions of livelihood. All social changes are effects; the search for livelihood is the cause."

Let Mrs. Thatcher, Prime Minister of Great Britain, ponder these words. Whence the strife to which her unhappy country is subjected, and Ireland alike? Back to Henry George on conditions in Ireland, writing as he was of landlordism: "It is to maintain such a system of robbery as this that Ireland is filled with policemen and troops and spies and informers, *and a people who might be an integral part of the British nation are made to that nation a difficulty, a weakness and a danger.*" Great Britain is an impoverished country today. She waxed rich in her time at the expense of other nations, China right up to the Second World War not being the least of these. Great Britain has suffered from landlordism ever since the onset of the Enclosure Acts in the time of Henry the Eighth, and the common people suffer from it still, in massive unemployment. Is there any wonder that there are outbreaks of violence in riots from sheer desperate frustration! But no longer can the human rubbish of the convict hulks be transhipped to the Colonies! When Sun Yat Sen spoke of the Welfare of the People, he was truly speaking as a citizen of the world for the people of England, as of China.

And his prescription for the West would be as his prescription for China:

"The first effect of the recent Western economic invasion of China has been upon land. Many people have taken land as something to gamble with, and have gone into land speculation, or "land squabbling", as the common saying puts it. Much land which would not be worth a great deal until ten or twenty years later, and which would not naturally have been highly valued, has been raised in price ahead of time through the wire pulling of speculators. This makes the rise in land values all the more uneven."

(I interpose the economic comment that when inferior land has therefore to be resorted to by labour, the wages of labour must be correspondingly depressed, so that *where land is dear, wages are low.*) Sun Yat Sen proceeds:

“Western nations have not yet found any satisfactory methods to deal with these evil practices arising out of the land question. If we want to solve the land question we must do it now; if we wait until industry and commerce are fully developed, we will have no way of solving it. Now that Western influences are coming in and our industry and commerce are undergoing such marked transformations, inequalities are arising not only between the rich and the poor, but also between common owners of land. For instance, A has a *mow* of land on the Shanghai Bund, while B has a *mow* of land in the country near Shanghai. If B cultivates his own piece of land, he may make a profit of ten or twenty dollars a year; if he rents it to someone else, he can get but from five to ten dollars at the most. But A can rent his *mow* of land in the city for ten thousand or more dollars. Land in Shanghai brings several thousandfold in return; land in the country but twofold. One *mow* of land in two different places produces such unequal results. *The aim of our party’s MIN-SHENG Principle is to equalize the financial resources in society.* So we consider the Principle of Livelihood the same thing as socialism or communism. But each has its own methods of procedure. *Our first step is to be the solution of the land problem.*”

Now, there, if you like, is something to ponder over — to ponder over here in Hong Kong, in Taipei and in Beijing.

It is, however, necessary for me to qualify these observations, in the interests of a truthful portrayal of Sun Yat Sen’s programme. He saw the political difficulties in attempting to socialize such value in land as already lay in the hands of its owners; he therefore advocated that all *future* increment in value should accrue to the State. In this, he was closer to Mill than he was to George. It is therefore necessary for me to briefly digress and draw attention to the fact the George devotes a chapter of *Progress & Poverty* to the question of the claim of landowners for compensation (Ch. 21), in which he deals at length with the proposals of John Stuart Mill. I urge that you study this chapter in detail to gain the full thrust of the argumentation. I will merely quote two sentences: “*Let the landowners retain their improvements and personal property in secure possession. It is sufficient if the people resume ownership of the rent of land.*”

I take my stand with George, rather than with Mill in this argument. Had Sun Yat Sen been more conversant with Australian experience from early in the century he might well have taken a different position. And this leads me to briefly outline what that experience is and what lessons can be drawn from it for the future.

Henry George visited Australia and New Zealand in 1880/91, and his visit aroused tremendous interest — and opposition! But there has been an abiding influence enshrined in legislation. The whole of the municipal revenues of the States of New South Wales and Queensland are derived from site value rating, that is, from an annual tax on the “unimproved” capital value of land. In terms of economics, this is a straightout socialization of land rent. There are no two ways about it: it is a direct application of the Min-Sheng Principle — and it has applied for most of this century. Other States have adopted site value rating for local government according to the wishes of the people at local polls. There are also State Land Taxes, but I do not deny that there is opposition to these by vested interests. Of course there is opposition! Back in 1910 a fresh source of income was opened to the Commonwealth of Australia by means of a Land Tax Act. This, like site value rating, was a tax on the unimproved capital value of land. In essence it was putting into practice the method advocated by Henry George of securing the rent of land for public purposes, and at the same time destroying or weakening the system of private land ownership. George’s aim was to convert the freehold tenure *de facto* into a kind of rent paying leasehold. As I have made clear, the first principle of George’s teaching was that all land should be publicly owned. Leasehold tenure was in perfect harmony with this principle, but it was not advocated by Henry George whose plan was to achieve all the fruits of public ownership by concentrating taxes in one single tax on land *so as to constitute a rent*: Thus would be secured a *de facto* leasehold tenure within the legal framework of the fee simple. To destroy private property in land it was *not necessary to confiscate land but merely to confiscate rent*, and at the same time to remove taxation from the earnings of capital and labour.

The author, Frank Brennan, writing in his book *Canberra in Crisis*, says:

“Henry George aroused an interest in political and economic questions more intense than the world had ever seen before. By his colourful writings, persuasive oratory and magnetic personality, he focussed world attention on the question of land value and land ownership. The importance of George in Australia was that he stirred a new and deeper interest in the question of land tenure and land disposal, and in so doing gained many prominent and influential converts to the principles of the taxation of land values. His particular significance is that his influence and the popularity of his teachings in Australia reached its zenith in the very decade of the movement in Australia towards federation . . . The method; or lack of method, of land disposal, in the early half of the nineteenth century inspired in the latter half a climate of public opinion receptive of the idea of land tenure reform. The existence of this social atmosphere must be acknowledged, its background of thwarted reform measures must be appreciated, to obtain the fullest understanding of why there developed, parallel with the movement of the Australian colonies towards federation, an almost universal demand that land within the area to be chosen for the federal capital should be owned by and forever remain the property of the nation”. The Parliament of the Commonwealth should be the Parliament of the “common wealth”.

You may thus see that by the time that Sun Yat Sen was delivering his SAN MIN CHU I lectures in Canton in 1924, the very Principle of Min-Sheng in terms of land value taxation was already very firmly operative in Australia. Admittedly it was only partial in its application; nevertheless it was operative, and the principle accepted, with the administrative machinery well worked out. One can only conjecture, but had Sun Yat Sen been aware of this, he may well have opted, without compromise, for George rather than Mill.

Well, it is a matter of history that the Father of the Republic died in 1925 and China entered into a phase of further great upheaval. Yet the inspiration was still fermenting.

In 1944, that is to say 20 years after the SAN MIN CHU I lectures were delivered, a series of papers were prepared under the aegis of the University of Melbourne, under the general heading “Realities of Reconstruction”. Now, where before, I wonder, have you heard the cadence of the phrase “Outline of Reconstruction”? Number 11 in that series was prepared by Sir Ronald East, Chairman of the State Rivers and Water Supply Commission in Victoria, one of the State’s senior administrators. Its title was “The Financing of Developmental Works”. Have you ever read anything of a man who spoke of the Development of China?

I quote here from the summary of Sir Ronald East’s paper:

- * “It is essential for the community to rethink its attitude towards public expenditure on developmental works, and to decide whether it can afford to subsidize such works largely for the benefit of the limited section of the community which receives practically the whole benefit in unearned increment. Unearned fortunes are made only at the expense of the community.
- * In order to extend the range of practicable developmental projects, it will be necessary for the community to adopt some form of financial policy which will enable the capital costs of works to be shared by the whole community.
- * It is considered that all expenditure on state developmental work, past and future, might well be grouped under an account to be known as the *State Development Account*, and that all interest charges might be met from a *State Development Tax*.
- * To distribute as equitably as possible the cost of developmental works over the owners or properties benefitting from the works, such a tax should be a *uniform tax on land values without graduation and without exemption*. The present state land tax would be abolished and certain other rates and taxes such as water rates, rail freights, motor registration fees, etc., would be reduced to the extent that they provide for interest on cost of developmental works.
- * Revenue from a development tax of this kind would automatically expand to meet increasing cost of additional developmental works to an almost unlimited extent provided

that the works were truly reproductive, as all such works result in increases in land values approximating to or exceeding the actual expenditure incurred on the works.”

But can you not see the incredible similarity of the concepts and even the cadences between the writings of Sun Yat Sen in China and those of Sir Ronald East in Australia, a generation later?

It is my contention that the proposals of Sir Ronald East are the key to the practical realization of Sun Yat Sen's Principle as set forth in his San Min Chu I lectures. They are of great significance for Hong Kong as a virtual "city state", as an "autonomous region". They are of great significance for the well-being of Shanghai and Canton and Beijing as great cities of China. They are of great significance for the well-being of every Province of China and of every autonomous region. They are of great significance for Taiwan with its impressive list of developmental projects, both completed and projected. They are of great significance for the underwriting of the costs of a scheme for universal advanced education for the peoples of Asia: it makes sense that if better education will yield more "common wealth" in the guise of rent, then education will lose its frustrations and frenetic competition.

There are practical details that have to be spelt out in the administration of a scheme for land value taxation. These were never catalogued by Henry George nor by John Stuart Mill nor by Sun Yat Sen. Again, Australian experience is fruitful in showing the way.

If I might be so bold, without being presumptuous as to details or timing, to project forward to the situation whereunder there is a unitary national government embracing Hong Kong, the New Territories, Taiwan and the mainland, perhaps ideally with much latitude in local autonomy, then I could conceive Sir Ronald East's concept of a Developmental Fund, combined with legislative machinery for its operation at Municipal/Provincial/National levels, as being the practical realization of Sun Yat Sen's vision for the Well-being of the People, embracing the fundamental reform of the "Equalization of Land Rights".

I have come across some very challenging words in the current Journal of Broken Hill Pty. Ltd., Australia's largest public company. This issue is devoted to portraying life in mainland China. The observations will, no doubt, be hotly disputed, but nevertheless, here they are:

"Since liberation in 1949, the Chinese Government has done a remarkable job in unifying the country, providing the people with employment, housing, clothing, food, health and medical services, which have resulted in stability and a considerably increased life expectancy . . .

Before 1949 few political parties ever promised individual dignity, a guaranteed income, housing for all and a staple diet. Only the Communist Party both promised and delivered a hope for the future for every man, woman and child. *So, the way they see it, there is no point in seriously teaching or discussing alternative political systems or parties . . .*"

Sun Yat Sen lamented that his China was a "sheet of sand" and it is easy to see that his vision had no hope of realization in his life and times. It has been my purpose to show that his vision HAS hope of realization. It is my belief that his way, given the chance, is indeed better than that which is squeezed into the blinkered vision of the Marxist mentality. The challenge is to show how we can all attain *justice with freedom*. But is the non-Communist side of the fence prepared to pay the price?

The people of Hong Kong are in a unique position, having intimate contacts, as they do, with both Taiwan and the mainland. You have proved yourselves to be experts at building underground railways and tunnels. What are you like at building bridges?

LAND VALUE TAX LAW - DRAFT LEGISLATION

1. VALUATIONS. WHEN TO BE MADE.
A valuation of every piece of land within the municipality shall be made once each year and shall be returned to the Council during the last month of the municipal year.
2. OF WHAT.
The valuation shall be of the annual site rental value of every landholding and shall in addition give the following particulars:
 1. Country Parish Portion Section and Allotment number.
 2. Plan of subdivision number and lot number thereon.
 3. Dimensions and area.
 4. Street name and number where applicable.
 5. Name of owner with his address and occupation.
 6. Name of occupier with his address and occupation.
3. DEFINITION OF VALUE.
 - (a) The annual site rental value shall be the rental at which in the opinion of the valuer the site could reasonably be expected to let in the year of valuation free from all tenants' rates and taxes and assuming all visible improvements upon the land not to exist and with the lease renewable annually at the option of the lessee.
 - (b) Where it is claimed that non-visible improvements have been effected by the occupier upon the site at any time within twenty years prior to the taking of the valuation the valuer shall from the rental calculated as in (a) hereof deduct an amount equal to five per centum of so much of the capital value of such non-visible improvements as in his opinion remains at the time of his valuation.
4. MAPS OF VALUATION.
Forthwith upon the return of the valuation, the annual site rental value of every piece of land within a municipality shall be entered by the valuer upon maps of the municipal area and copies of such maps having the annual site rentals so entered shall thereupon be placed and kept on public display in the municipal office at all times during which the office is open for business and shall be removed from display only when replaced with the map prepared for the next ensuing year.
5. COPIES OF MAPS.
Copies of such maps shall be kept available by the municipality for purchase by ratepayers and the price fixed for such purchase shall be the cost to the municipality of having made at the time of the initial production of the map additional copies thereof.
6. LAND REGISTER.
A copy of the valuation shall be delivered to the Registrar of Titles who shall cause the particulars thereof to be entered upon a Central Land Registry which shall during office hours be kept open for inspection.

- courtesy of W.H. PITT, Esq., Melbourne, Australia.

THE ECONOMICS OF LAND TENURE

The Problems of land tenure are shared by 'developed' and 'Third World' regions of the globe alike.

Data and analytic comment by courtesy of Dr. Les Hemingway, Victoria.

I: SITE RENT VERSUS INEQUALITIES

Once we appreciate the importance of **site rent**, we can understand, more fully, why some folk are richer than others.

Landownership vs. Tenancy

Individuals become landowners by outlaying about twenty years' rent in exchange for the title to a site. We note, also, that people do this to provide a sense of security and to escape the twin dangers of eviction or of subsequent increases in rent.

However, owners often recoup their outlay eventually, by selling land when they have finished with it.

Not Paying the Land Rentals

If land is not taxed, and the price landowners get is equivalent to the one they gave in the first place, then they have used the land for years, without paying the surrounding community for services supplied to them.

Because of this, when a nation fails to tax its land, it divides its citizens into three groups. These are:

1. people who pay rent for the land they use,
2. persons who use land without paying significant rent, and:
3. those who receive whatever rent the first group pays.

Rich and Poor

The financial status of individuals varies according to their occupation, the value of any land they own or rent, and their country of abode. However, in general, the world's poorest people are in the first of the above-mentioned groups, those in the second group enjoy a reasonable standard of living, and the third group includes all the wealthiest people in the world.

One does not need a university degree to comprehend all this. Individuals who must rent land have less to spend on buildings and machinery - or even on living costs - than do those who own the land they need. So landowners possess an advantage over tenants both in capital formation and in standards of living.

The advantage is compounded for landowners who augment their income by collecting rent. These may invest their additional income either:

- (a) in machinery - thereby further increasing their own work output and either lifting their standard of living or adding to their wealth,
- (b) in land - to provide access to still further rent, or:
- (c) in interest-bearing loans or shareholdings.

A Progressive Increase in Wealth

Once rent, interest or dividends is received, it is then available for further investment in one or more of the above-mentioned ways. Therefore, this process allows wealth to accumulate in a progressive or geometric fashion - whereby the amount added to a wealthy person's assets (and to his power!) increases year by year.

Aggregation of Landholdings = Higher Rents

The same process also leads to a gradual aggregation of landholdings. In this way it exerts a continuing pressure on tenants and landless labourers.

As land aggregates into fewer and fewer hands, then fewer and fewer landowners compete, with a lessening intensity, for tenants, while more and more persons compete, with greater intensity, for the privilege of occupying land.

This allows rent to absorb a large or even a very large proportion of each tenant's income. It further reduces the tenant's ability to acquire either land of his own or the machinery that could increase his work output and lift his standard of living.

Inadequate Land Taxes

Few nations levy adequate taxes on land, so landholdings aggregate in most economies. However, the problem is at its worst in under-developed countries. It explains why some inhabitants of those countries become richer and richer, while the wealth (and health!) of the poor majority declines.

Aggregation of landholdings also explains why neither the green revolution nor the inflow of foreign capital does much to improve the situation of the poor. Tenants may be given tools, fertilizer or knowhow, but they are little better off, while they must bid against one another to obtain the use of land. Capital inflows or education may increase their output and income for a time, but the increase is soon swallowed up in rising rents. Their net income then falls back to its original level - leading them to question the value of new methods and new techniques, and to wonder, perhaps, if there IS any justice in the world.

A Common Heritage

This being so, it is high time we:

1. recognized the earth as the common heritage of all mankind, and:
2. took steps to provide everyone with an equitable share in it.

The earth is not a man-made object or a thing created by individuals - like goods and services. Instead, the earth was provided by a beneficent Creator, Who, surely, would like all mankind to have an equitable share in it.

Inequity

The earth is not shared equitably when some of its inhabitants make fortunes from land while others starve for want of it. Under these circumstances, some persons live a life of luxury, while others exist in grinding poverty.

Tax structures that permit this are clearly unjust. Millions of people would be better off if all such structures were reformed.

Universal Leasehold?

Unjust taxation systems could be reformed, if taxes were reduced while present forms of land-ownership were exchanged for universal leasehold. All sites could then be rented from the government, and revenue obtained from rents would balance the fall in taxation revenue.

Misdirected Economies?

A government, as universal landlord, would control every site in the country. It could - if it wished - control every individual in the nation as well.

In the long run, such a government could end up directing (or misdirecting!) the nation's entire economy.

Apart from this, universal leasehold may also:

1. allow one or a few people in a dictatorship to enrich themselves at everyone else's expense by appropriating rent to themselves;
2. be marred by inadequate or infrequent revision of rents - so that some site rent passes into private hands and the leaseholds fall into disrepute (as happened in Canberra, where land was leased from the government, but the rents were adjusted only at twenty year intervals and then, in 1971, the system was abandoned); or:
3. lead to favouritism, with rents being determined arbitrarily by government officials, who might also allocate the best sites to their friends.

Freehold Preferable

The faults inherent in universal leasehold might be minimized if rents were set by market action, and if all valuations were checked against market rents every year. However, it seems preferable to retain our present system of freehold land titles, and to combine it with a substantial tax on land rentals (e.g., 100 cents in the dollar, as suggested earlier).

This combination would place landownership within easy reach for nearly everyone. It would also protect tenants from exploitation - by giving most of them the option of ownership and increasing the number of landowners competing for the custom of anyone who still preferred tenancy. In this way, it would maintain rentals at reasonable and justifiable levels.

The above-mentioned combination of land rental tax and freehold titles would likewise protect landholders from arbitrary government action. It would allow them virtually to set their own annual land rental tax (which would be equal to the amount paid for their site, if the tax were set at 100 cents in the dollar), and would leave them free to buy, sell or exchange their holdings at any time and as they saw fit.

Finally, this combination would extract a substantial holding charge from each landowner - thereby implicitly acknowledging everyone's equality of status upon a planet that belongs to all mankind - past, present and to come.

Land rental tax will not eliminate today's poverty and unemployment overnight, but it would quite rapidly alleviate these problems.

It would do so, first, by making land available to people who are now short of food. Some of these may then grow food while others would build houses for the primary producers or supply them with clothes, furniture, household items and recreational facilities, educate their children, provide them with power supplies, transport and banks, or offer them medical, legal and other professional help.

These processes would turn villages into towns and towns into cities. Then, as time went by, each town or city would acquire factories to simplify the production of necessities, while the nation's inhabitants - as they prospered further - would begin producing luxuries as well.

The manufacture of luxuries would give further employment. In these ways, then, numerous embryonic communities would grow steadily - just as Australian and American communities grew and prospered a couple of centuries ago, when settlers had access to cheap land (or, perhaps, as towns like Ballarat and Bendigo thrived, even after the end of the gold rushes that gave them birth).

Computers, Microprocessors and Automation?

The above may seem a utopian view, now that huge numbers of people can be clothed, fed and housed by relatively few workers - using automation, computers and other modern technology.

However, automation does not prevent anyone from growing vegetables in his own backyard. It would not, therefore, prevent the world's poor from producing their own basic necessities - if they

could only afford the necessary land. And once people achieve a measure of independence through producing their own food, they soon extend their productive activities into other fields - again provided, always, that land is available at reasonable cost.

Locked-Out From Land

Are the people who crowd the streets of Calcutta and the shanty towns of Latin America, the Philippines and Indonesia incapable of providing for their own wants? Or are they unable to do so because they are locked out from land in one way or another? I don't think the first suggestion is tenable, but the second one does fit the following facts:

'In Central America and in the Caribbean, where as many as 70 percent of the children are undernourished, at least half of the agricultural land, and the best land at that, grows crops for export not food for the local people. In the Sahelian countries of sub-Saharan Africa, exports of cotton and peanuts in the early 1970's actually increased drought and hunger loomed.'

'In Columbia, according to a 1960 study, the largest landowners control 70 percent of all agricultural land, but actually cultivate only six percent.'

'Haiti offers a shocking picture of environmental destruction. The majority of the utterly impoverished peasants ravage the once-green mountain slopes in near-futile efforts to grow food to survive ... These mountain peasants must be seen as exiles from their birthright - some of the world's richest agricultural land. The rich valley lands belong to a handful of elites who seek dollars in order to live an imported lifestyle, and to their American partners. These lands are thus made to produce largely low-nutrition and feed crops (sugar, coffee, cocoa, alfalfa for cattle) and exclusively for export. Grazing land is export-orientated too. Recently, U.S. firms began to fly Texas cattle into Haiti for grazing and re-export to American franchised hamburger restaurants.'

'A World Bank study of Columbia states that 'large numbers of farm families ... try to eke out an existence on too little land, often on slopes of ... 45 degrees or more', while 'Columbia's good level land is in the hands of absentee landlords who use it to graze cattle, raise animal feed and even flowers for export to the United States (\$18 million worth in 1975).'

'In Africa vast tracts of geologically old sediments perfectly suitable for permanent crops such as grazing grasses or trees have instead been torn up for planting cotton and peanuts for export. In parts of Senegal, peanut monoculture has devastated the soils.'

* Six Myths About World Hunger, by Frances Moore Lappe and Joseph Collins. Social Survey, Journal of the Institute of Social Order, 12 Sackville Street, KEW, Victoria. March 1977, pages 38-41.

Cheap Labour and Land

This deplorable situation arises as multinational agribusinesses shift production of vegetables, fruits, flowers and meat out of the industrialized countries in search of cheap land and labour in the underdeveloped countries. ** It creates unemployment

** Ibid, page 43

amongst farm workers and primary producers in the industrialized countries, while diverting land away from the inhabitants of the under-developed countries - thereby condemning the latter to unemployment and poverty. (Because no-one can work or even live if he is denied access to land.)

Land Tax vs. Multinational Agribusiness

The practice described above would become unprofitable, if all developed countries taxed landholding, in the manner described in this book.

Such taxes would discourage anyone from holding land for which he had little or no immediate use. They would therefore bring numerous unused or partly used sites onto the market.

A lot of this land would be on the outskirts of cities and towns. Market gardeners and orchardists could occupy it, so land taxes would bring food producers and consumers close to one another, and reduce transport costs.

Land taxes would also reduce the price of land, the size of farm mortgages and the amounts of interest incoming farmers have to pay. They would therefore cut costs in two ways, and allow local producers to undercut any agribusiness that might try to import food that could be grown locally.

As a result, multinationals would have less use for agricultural sites in under-developed countries, and more land would be available to the inhabitants of those countries.

Through land rental tax, then, the industrialized nations could improve conditions in the under-developed countries - without spending a cent in overseas aid.

LAND COSTS AND INTEREST PAYMENTS FOR PRIMARY PRODUCERS

The influence of land prices and interest payments on costs can be shown by considering an average Victorian dairy farm.

In 1974 such a farm cost \$100,000, 80 cows were milked on it, and the annual production of each cow was valued at \$197.50. This provided the farmer with a gross income of \$15,800, 29% of which was absorbed as production costs, leaving him with a net income of approximately \$11,200 per annum.*

The farmer would have to buy his cows as well. If he could do this, find a deposit of \$33,333 for the farm, and borrow the remaining \$66,667 at 10%, then he MIGHT repay his debt in 24 years - IF he could devote \$7,470 (two-thirds of his net income) to the task!

All of this is somewhat unlikely, but were it possible, then the calculation given in Table 1 would apply.

The farmer would pay over \$108,000 as interest. This shows the problems incoming farmers face these days, and reveals why some farmers never get out of debt. At today's land prices, few people can enter farming without solid financial backing - unless they inherit land.

TABLE 1

See p. 50

TABLE 1: AMORTIZATION OF A VICTORIAN DAIRY FARM - 1974 FIGURES

YEAR	INTEREST	REPAYMENT	BALANCE
1	6,666.70	803.30	65,863.70
2	6,586.37	883.63	64,980.07
3	6,498.01	971.99	64,008.08
4	6,400.81	1,069.19	62,938.89
5	6,293.89	1,176.11	61,762.78
6	6,176.28	1,293.72	60,469.06
7	6,046.91	1,423.09	59,045.97
8	5,904.60	1,565.40	57,480.57
9	5,748.06	1,721.94	55,758.63
10	5,575.86	1,894.14	53,864.49
11	5,386.45	2,083.55	51,780.94
12	5,178.09	2,291.91	49,489.03
13	4,948.90	2,521.10	46,967.93
14	4,696.79	2,773.21	44,194.72
15	4,419.47	3,050.53	41,144.19
16	4,114.42	3,355.58	37,788.61
17	3,778.86	3,691.14	34,097.47
18	3,409.75	4,060.25	30,037.22
19	3,003.72	4,466.28	25,570.94
20	2,557.09	4,912.91	20,658.03
21	2,065.80	5,404.20	15,253.83
22	1,525.38	5,944.62	9,309.21
23	930.92	6,539.08	2,770.13
24	277.01	2,770.13	
TOTALS:	<u>\$108,190.14</u>	<u>\$66,667.00</u>	