

Working against Poverty:

Freeing our land for worker-owned cooperatives

A speech delivered by Ronald E. Johnson at the Association for Good Government Conference, Goulburn, NSW, 5 - 6 August, 2017.

Ladies and Gentlemen,

Thanks to Joffre Balce, Richard and Faye Giles and the Association for Good Government team for the opportunity to speak here today on the theme- "*Poverty is the Common Enemy: Social Justice is the only Remedy*".

It is an honour to be part of such an important educational movement. With all of the necessary activities and not-so-necessary distractions of modern life, it is very important to take some time to slow down to think about and to do some practical work on these big issues. I am grateful that the thoughtful deployment of our Association resources enables us to do that at least once per year through these annual conferences.

However, it is obviously very upsetting, painful and perhaps depressing to reflect upon the scale and nature of the problem of poverty in Australia and around the world today. In particular, it is heartbreaking to realise that according to the United Nations Children's Fund (UNICEF) around 22,000 children die around the world each day due to the effects of poverty- overwhelmingly hunger, malnutrition or illness due to a lack of clean drinking water.

In Australia, the Australian Council of Social Services (ACOSS) reported in 2016 that 2.9 million Australians live below the internationally recognised poverty line. Richard Bell provided us yesterday with a comprehensive outline of many more statistics about poverty, homelessness and the inequality of wealth that are also relevant and disturbing.

In *Our Land and Land Policy* published by Henry George in 1871, he explained the supreme importance of land to human existence and quality of life. He wrote:

LAND, for our purpose, may be defined as that part of the globe's surface habitable by man— not merely his habitation, but the storehouse upon which he must draw for all his needs, and the material to which his labour must be applied for the supply of all his desires, for even the products of the sea cannot be taken, or any of the forces of nature utilised without the aid of land or its products. On the land we are born, from it we live, to it we return again—children of the soil as truly as is the blade of grass or the flower of the field.

This may seem obvious to those of us familiar with George's work. Yet, in my observation, it is remarkable how many people do not consider land to be so important in our modern economy. If you try to explain Henry George's theories to the uninitiated they often express the view that surely, in our modern economy, it is things like a lack of money, a lack of educational opportunities or a lack of access to technology that are the real problems for people experiencing poverty.

Emeritus Professor George Kent of the School of Political Science at the University of Hawaii, argues persuasively that the real root cause of poverty and hunger is a lack of

caring for our fellow human beings. In his 2016 book *Caring About Hunger*, Professor Kent writes:

Remarkably, discussions about how to deal with the hunger issue have focused on food production and have given little attention to the role of human relations. To end hunger, we will first have to show how to live together well locally. We need to get beyond talking about how we ought to live and actually demonstrate it. Others will emulate the successes. When we find ways to live together so well that no one goes hungry, we will discover that living in a caring community is itself nourishing and a form of wealth.

Without discounting the crucial importance of land, I agree that a lack of caring, a lack of money, a lack of education, a lack of technology and a lack of other things like access to health services, shelter and nutritious food are all huge problems for the more than two billion people in the world currently experiencing poverty and extreme hardship.

Another word for the “caring” that Professor Kent is calling for is “love” or the idea of “love thy neighbour”. This is calling us to an even higher standard than the reciprocity which is inherent in the Golden Rule.

In the absence of social justice, we can find many examples of caring people or communities where people have acted with love or even unconditional love to save the lives of their fellow human beings or to largely protect them from poverty.

But the political economy of Henry George and the lessons of history demonstrate the stark reality that: without fair access to land, even the most loving people on Earth, will struggle or ultimately not be able to avoid at least some (and more usually a great many) members of their community falling into the sinkhole of poverty.

As Faye Giles and Joffre Balce explained yesterday, the message of Henry George is a message of hope: a world without poverty is definitely possible and within our reach. But we need to study, think and then act very carefully in order to, step-by-step, bring human social organisation back into alignment with natural law economics. That is, economics that respects and upholds the natural rights of all people.

But, whilst it is very important to be careful about the direction in which we proceed in our work against poverty- it is also very important to make sure that we actually do something! I don't know about you- but I certainly sometimes feel overwhelmed by the scale of the problem that confronts us. So, as with most big problems we need to break it down into manageable parts and we need to best utilise our particular strengths and advantages in that work.

The primary purpose of our association is to educate in the principles and political economy as taught by Henry George. But I encourage you to think of the multitude of methods and forms that our approach to Georgist education can possibly take. Some examples of these include:

- * formal in –face classes
- * on-line materials

- * workplace conversations
- * education through trade unions
- * education through churches
- * dinner party or BBQ conversations
- * writing songs or poems
- * submissions to Government or industry
- * letters to the Editor
- * newspaper or journal articles
- * university or TAFE courses
- * conferences
- * reading groups
- * film & video
- * even seaside talks- “we shall educate them on the beaches...”
- * ... and another idea that I have (which I will come back to), the possibility that a modern day land gift and/or a worker owned co-operative movement might also possibly serve as useful vehicles for Georgist education.

As you may have noticed, stories about poverty are not usually front-page news in Australia. It seems that perhaps other political and social trivia is more effective in aiding the selling of advertising space. But on Thursday 20th July, *The Australian* newspaper featured a front page story titled: ‘Libs get tough on tackling poverty’. Foreshadowing a speech by Human Services Minister, Alan Tudge, the article stridently informed readers that:

Australians will be urged to embrace a new direction in fighting poverty... the Government will outline five new ways to help more than three million Australians- including 731,000 children living in poverty.

So, when I checked the transcript of the Minister’s speech (delivered at the Centre for Independent Studies later that day) it became clear that rather than increasing welfare funding for impoverished Australians, the Government’s focus would be moving toward addressing the underlying ‘pathways to poverty’. So, it appeared from this information that the government was planning to get serious about remedying the underlying causes of poverty.

Borrowing some concepts from a Great Britain think-tank, The Centre for Social Justice, the Minister identified 5 key ‘pathways to poverty’ that need attention. These are: 1) Family breakdown; 2) ‘Worklessness’; 3) Drug and alcohol addictions; 4) Education failure; and 5) Indebtedness and lack of financial capability. The Minister also acknowledged that perhaps some other factors should be considered in Government attempts to alleviate poverty, “such as housing and mental health”.

The Minister seems to be an earnest, well-meaning, type of gentlemen. Yet, I wonder if he has ever considered the possibility that poverty in Australia may actually be *caused* by unjust government intervention in the economy. I wonder if he has considered the possibility that social problems, including the 5 key 'pathways to poverty' that he is concerned about (together with the enormous demand for welfare payments and charity), may also largely be mere symptoms of unjust government intervention in the economy.

The intervention that I am referring to is, of course, the role that the state plays in making land artificially scarce and in propping up the current system of the private ownership of land. In *Our Land and Land Policy* (1871), George explains the true root cause of poverty. He explains how poverty emerges and grows when Governments tax labour and its products and facilitate the private ownership of land and the private collection of land rent. He wrote:

And where land monopolisation has not gone so far, steadily with the increase of wealth goes on the increase of land values. Every successive increase represents so much, which those who do not produce may take from the results of production, measures a new tax upon the whole community for the benefit of a portion. Every successive increase indicates no addition to wealth, but a greater difference in the division of wealth, making one class the richer, the other the poorer, and tending still further to increase the inequality in the distribution of wealth—on the one side, by making the aggregations of capital larger and its power thus greater, and on the other, by increasing the number of those who cannot buy land for themselves, but must labour for or pay rent to others, and while thus swelling the number of those who must make terms with capital for permission to work, at the same time reducing their ability to make fair terms in the bargain.

Recently, you may have noticed the various community leaders speaking out about the decline and stagnation of wages in Australia over the past five years. We now have a situation where even the Reserve Bank Governor is calling upon workers to try to bargain for higher wages.

The Australian Council of Trade Unions (ACTU) has embarked on a campaign to 'change the rules' in the Fair Work Act aimed at increasing the legal options and bargaining power of workers and their union representatives during enterprise bargaining. Yet, the labour movement has largely once again (as they did in the campaign against WorkChoices in 2006-07) missed the central point about the overwhelming detrimental impact that land monopoly has upon the ability of workers to bargain in the labour market.

Admittedly, the ACTU is also advocating for wealth redistribution through proposals to change the tax and transfer system. This might deliver some temporary breathing space for some working people and others presently disadvantaged. But ultimately, attempts at wealth redistribution through the tax and transfer system can have little enduring beneficial impact until the land question is fully examined and fully and directly addressed.

As Emeritus Professor Frank Stilwell, from the School of Political Economy at the University of Sydney, and others have demonstrated, the world has a major problem with the unequal distribution of wealth. For example, the evidence overwhelmingly

suggests that there is more than enough food presently being produced for all people to eat well. Sadly, the flaws in our social structures that prevent a fair distribution of food appear to be deeply entrenched.

However, even if we could re-distribute some of the money presently wasted on ice cream, perfume, cigarettes, alcohol, narcotics and military spending to lift all people out of absolute poverty by providing good food, clean water, proper health care, education and shelter, there would still be a serious question about whether this absence of poverty could be sustained. We would still need to discern and find the optimum way of organising society and systems of government to *prevent poverty simply recurring*.

Richard Giles explained to us yesterday how, even if we could find a way to directly address and remedy the symptoms of social injustice or social disease, the inevitable effect would be that land values would increase. In the absence of the fair access to land via the single tax, the concentration of wealth and power in the hands of land owners and other types of monopolists would increase and the disempowerment and impoverishment of the landless and of those whose wages are robbed by monopolistic structures, would soon recur.

In other words, when people are denied the right to freely use and enjoy the earth in a way limited only by the equal right of others to the same, the economic and social distortion that causes poverty to grow will persist. But the problem for the rent collectors, the gatekeepers and the toll gatherers is that the social structure cannot stand for very long under the strain of poverty.

Indeed, as Dr Franklin Obeng-Odoom explains in his recent book 'Reconstructing Urban Economics: Towards a Political Economy of the Built Environment':

Labour cannot forever surrender its wages to landlords as rent. It will tend to become discouraged at a point and hence will reduce production. And that is when the system can be thrown into a tail spin: a fall in production leads to a fall in wealth, and can lead to the suspension of the production process and hence of the engagement of labour which, in turn, can lead to further falls in purchases. A system of crises ensues locally, nationally, and globally. So, creating private property in land cannot be sustainable.

Indeed, it is worth noting that according to the Australian Bureau of Statistics, in Australia today there are approximately 730,000 persons classified as unemployed. These figures confirm the idea that the labour force is indeed, to a large extent, 'discouraged'. Moreover, the wider evidence shows us that the Australian labour force has become disempowered and is largely very vulnerable.

The overall high vulnerability of the Australian labour force is evidenced by factors such as record low wages growth, persistently high levels of unemployment and underemployment, the casualization of the workforce, extreme levels of housing unaffordability, record levels of personal debt (including a rise in the use of 'fringe lenders') and a decline in the power of trade unions.

Henry George's vision of social justice is grounded in the fundamental idea that all human beings are of equal importance and are born with an equal right to live, to work,

to enjoy life and to develop their potential. In essence, this is simply the Golden Rule, which is at the heart of many religions and spiritual movements: That is, that we must do unto others as we would have others do unto us.

In Our Land and Land Policy, written in 1871 Henry George clearly enunciated the single tax on land values (admittedly his thinking at that time did allow some minor exemptions and exceptions) as the key reform that was necessary to overcome poverty and to stop the seemingly inexorable drift towards a concentration of wealth in fewer and fewer hands. In other words, George was advocating the appropriation of land values for public revenue and the removal of taxation upon labour and its products,

He underpinned his argument around land and tax reform with the following grand explanation:

THE right of every human being to himself is the foundation of the right of property. That which a man produces is rightfully his own, to keep, to sell, to give, or to bequeath, and upon this sure title alone can ownership of anything rightfully rest. But man has also another right, declared by the fact of his existence—the right to the use of so much of the free gifts of nature as may be necessary to supply all the wants of that existence, and as he may use without interfering with the equal rights of anyone else, and to this he has a title as against all the world.

This right is natural; it cannot be alienated. It is the free gift of his Creator to every man that comes into the world— a right as sacred, as indefeasible as his right to life itself. Land being the creation of God and the natural habitation of man, the reservoir from which man must draw the means of maintaining his life and satisfying his wants; the material to which it was pre-ordained that his labour should be applied, it follows that every man born into this world has a natural right to as much land as is necessary for his own uses, and that no man has a right to any more.

To deny this is to deny the right of man to himself, to assert the atrocious doctrine that the Almighty has created some men to be the slaves of others. For, to permit one man to monopolise the land from which the support of others is to be drawn, is to permit him to appropriate their labour, and, in so far as he is permitted to do this, to appropriate them. It is to institute slavery.

When we study the political economy of Henry George, we come to realise that we don't actually live in a world of scarcity, but rather, we are surrounded by an abundance of vital natural opportunities. Many of these opportunities have been pushed out of reach for most people by man-made rules that are rooted in violence and fraud. The worst of these rules place taxation on the backs of workers and facilitate the private appropriation of community-generated land values to mere holders of land titles.

Yet, if we could move to a single tax economy, George shows us how the present dog-eat-dog economic competition, that we are all very familiar with, would be transformed into a system marked by balance and co-operation. With natural monopolies returned to the control of democratic government, conditions would open up for a mass proliferation of worker owned co-operative enterprises in a genuinely *laissez faire* private sector. The necessary economies of scale for production would very likely see

workers pool their capital to that end. Worker-owned co-operative enterprises are an example of how fairer ways to organise work and wage determination could emerge from the decentralisation and dispersion of economic and social power that would follow the introduction of the single tax on land values.

It is one thing to consider the likely effects of the application of Georgist reform upon our economic and social circumstances. Yet it is quite a different matter to try to discern and implement interim measures that could aid or hasten the introduction of the Single Tax. The paradox of unintended consequences seemingly inevitably awaits those who try to build reform structures upon the rotten foundations of our present system of the private ownership of land. Henry George's meticulous arguments point to only one safe avenue for interim progress- the avenue of education in social justice and political economy.

As I mentioned earlier that I think we need to think broadly and creatively about the multitude of ways in which Georgist education can be conducted and facilitated. Extreme caution needs to be exercised in relation to my developing ideas around the re-distribution of land through a modern day land gift movement and/or the establishment of worker-owned co-operatives as vehicles for Georgist education.

Yet, at least in relation to worker-owned co-operatives, George did acknowledge, their potential as vehicles for education. However, he did not in any other way, view their establishment as a means to move down the pathway towards the single tax. In *Progress and Poverty* (1879), he wrote:

And the truth is, that, save possibly in educational effects, co-operation can produce no general results that competition will not produce. Just as the cheap-for-cash stores have a similar effect upon prices as the co-operative supply associations, so does competition in production lead to a similar adjustment of forces and division of proceeds as would co-operative production. That increasing productive power does not add to the reward of labor, is not because of competition, but because competition is one-sided. Land, without which there can be no production, is monopolized, and the competition of producers for its use forces wages to a minimum and gives all the advantage of increasing productive power to land owners, in higher rents and increased land values. Destroy this monopoly, and competition could exist only to accomplish the end which co-operation aims at- to give to each what he fairly earns. Destroy this monopoly, and industry must become the co-operation of equals. (P. 319).

George appears to be even more concerned about schemes (like my developing idea for a modern day land gift movement) aimed at re-distributing private land ownership more evenly. Once again in *Progress and Poverty* (1879), he wrote:

But while the subdivision of land can thus do nothing to cure the evils of land monopoly, while it can have no effect in raising wages or in improving the condition of the lowest classes, its tendency is to prevent the adoption or even advocacy of more thorough-going measures, and to strengthen the existing unjust system by interesting a larger number in its maintenance.

However, back in 1871 George had recognised that the time was not yet ripe for the implementation of the single tax due to the fact that not enough people understood the

problem with the system of the private ownership of land. In *Our Land and Land Policy*, he wrote:

That land monopolisation when it reaches the point to which it has been carried in England and Ireland is productive of great evils we shall probably all agree. But popular opinion, even in so far as any attention has been paid to the subject, seems to regard the danger with us as remote. There are few who understand how rapidly our land is becoming monopolised; there are fewer still who seem to appreciate the evils which land monopolisation is already inflicting upon us, or the nearness of the greater evils, which it threatens. (P.108)

Accordingly, George proceeded to advocate certain interim measures including that the Government should be giving land to settlers who would use the land to support their families through farming or other productive enterprise.

He wrote:

WHEN we reflect what land is; when we consider the relations between it and labour; when we remember that to own the land upon which a man must gain his subsistence is to all intents and purposes to own the man himself, we cannot remain in doubt as to what should be our policy in disposing of our public lands. We have no right to dispose of them except to actual settlers—to the men who really want to use them; no right to sell them to speculators, to give them to railroad companies or to grant them for agricultural colleges; no more right to do so than we have to sell or to grant the labour of the people who must some day live upon them.

And to actual settlers we should give them. **Give, not sell** [my emphasis]. For we have no right to step between the man who wants to use land and land which is as yet unused, and to demand of him a price for our permission to avail himself of his Creator's bounty. The cost of surveying and the cost of administering the Land Office may be proper charges; but even these it were juster and wiser to charge as general expenses, to be borne by the surplus wealth of the country, by the property which settlement will make more valuable.

We can better afford to bear the necessary expenses of the Land Office than we can the expense of keeping useless men-of-war at sea or idle troops in garrison posts. When we can give a few rich bankers twenty or thirty millions a year we can afford to pay a few millions in order to make our public lands perfectly free. Let the settler keep all of his little capital; it is his seed wheat. When he has gathered his crop, then we may take our toll, with usury if need be. And we should give but in limited quantities.

For while every man has a right to as much land as he can properly use, no man has a right to any more, and when others do or will want it, cannot take any more without infringing on their rights. One hundred and sixty acres is too much to give one person; it is more than he can cultivate; and our great object should be to give everyone an opportunity of employing his own labour, and to give no opportunity to anyone to appropriate the labour of others. We cannot afford to give so much in view of the extent of the public domain and the demand for homes yet to be made upon it. While we are calling upon all the world to come in and take our land, let us save a little for our own children. Nor can we afford to give so much in view of the economic loss consequent upon the dispersion of population. Four families to the square mile are not enough to secure the greatest return to labour and the least waste in exchanges. Eighty acres is quite enough for anyone, and I am inclined to think forty acres still nearer the proper amount.

Of course, land grants were commonplace in Australia from the time of the European invasion and settlement in 1788 up until 1831. And as was mentioned yesterday, a large number of land grants (though often not on fair nor reasonable terms) were made to returned soldiers in Australia after both WWI and WWII. The soldier settlement schemes in various states saw the allocation of more than 20 million acres of land to returned soldiers in an attempt to open up employment opportunities, boost agricultural production and the national economy. We could learn a lot from reviewing the successes and failures of the various applications of this scheme.

Even working as hard as we can for its fruition, the introduction of the single tax, has thus far eluded us. Richard Giles yesterday highlighted some examples of the bloodshed and diversion that have come up when the land problem began to be addressed at various points in history. Our challenges are to build a freeway for this great reform, to not be diverted from our primary purpose, and to work with the most solemn regard for the absolute need for peaceful change.

Despite some recent partial community and political interest in land value taxation and/or resource rent taxation (e.g. ACT Government Taxation reforms), the pace of progress towards the Georgist ideal of a 'single tax', i.e. collecting the rent of land in lieu of all taxation could be at best be described as *extremely slow*. The ACT community have been hit with big increases to their rates, but there has not been anywhere near sufficient relief from other taxes and charges as part of these reforms.

Furthermore, the ACT Land Rent Scheme has not been developed and utilised to anywhere near the extent that is required to have a genuine impact on housing affordability in the ACT. For example, I recently contacted the ACT Suburban Land Agency to inquire where land rent blocks were currently available, only to be advised that due to the popularity of the scheme- no land rent blocks were currently available.

In conclusion, we all need to keep trying to study and educate about the land question. There is a lot of scope for Georgists to find ways of undertaking educational work that best fits with your circumstances and your strengths. But as Richard Giles has reminded me, as we work for social justice we need to be careful not to put the cart before the horse and we need to recognise that whilst many interim reform measures (like establishing worker owned co-operatives) may have some merit as vehicles for education, they also have dangers and risks that need to be carefully weighed.