

How I "Saw the Cat"

by Bryan

Kavanagh

I was born at a very early age (!!!) and, as a kid, developed a strong sense that many things were spoiling an otherwise pretty good world. Years later, during my early Geoism, I joined the ALP for about three years, until I realised they only want to defeat the Libs so they can get to do exactly what the Libs do.

My initial discovery occurred while wandering through Hardware Street about two years after completing my qualification in real estate valuations at RMIT in 1973, when I noticed in the window of a small shop a commentary on State Land Tax. "What would this crowd know about Land Tax?" I thought. I went into the rather quaint little bookshop and took away some pamphlets. They obviously grabbed my attention, because I revisited the shop, the office of *The Henry George League*, shortly thereafter to buy a copy of Henry George's *Progress and Poverty*.

I could not put the book down. I read it through what remained of my lunchtime, on the way home in the train to Glen Waverley, and through most of the night. I had finished reading it in my next lunchtime, the day after I bought it. I was thunderstruck at the ease of George's logic and language. Moreover, I had heard nothing of his ideas during my valuation course at RMIT, although I thought valuers should surely be interested in the very principles underlying property 'rating'. I had not even begun to contemplate before reading George that land price could simply be the private capitalisation of publicly created land rents, yet I had completed a course in real estate valuation. I could not comprehend why I had not been given this information in the valuation course. Was Henry George such a threat that he had to be kept quiet? Most valu-



By the look of the expression on Bryan's face that damn cat must be a bit on the nose, but things don't seem to have wafted in the direction of wife Linn and daughter Julie.

ers I spoke to, likewise, had not heard of Henry George. Those older valuers who had heard of him, spoke of him dismissively. When questioned about his principles, it became clear to me that their understanding of George was either extremely superficial or badly misinformed. I found no valuer who had read him, although I was later to meet Noel Wig-

more, a valuer, Georgist, and former head of the Victorian Railways property division.

Not inspired by what I (rightly or wrongly) perceived to be a lack of activity in the little shop in Hardware Street, I did not join the Henry George League, but I did take the opportunity over the next few years to read all of Henry George's works and a number of other books by Georgist authors.

In January 1983, I rang the little shop in Hardware Street – I believe it was Geoff Forster who answered my phone call. No, he was not aware of the article, but

he could give me the home telephone number of a man who may have seen it. That man was Allan Hutchinson, the director of the *Land Values Research Group* [LVRG]. He advised me that, yes, he had read the item in *The Valuer* and had intended to reply to it, but why didn't I do so, in his stead? I did. It was not a particularly good letter, but I had been stirred into action by the typically sloppy logic or ad hominem that I had found to be commonly directed against the arguments of Henry George. At Allan Hutchinson's invitation, I joined the Henry George League shortly after the publication of my letter in *The Valuer* in April 1983. If

you can't lick 'em, join 'em, I thought. Subsequently, I had many happy evenings with Allan and Mary Hutchinson eliciting supplementary Georgist information from them. I joined Allan's LVRG and the General Council for Rating Reform, enjoying the people I met on 'working nights'.

Following the death of Allan Hutchinson, I volunteered to take over the directorship of the LVRG. Working with the late Tony O'Brien on LVRG matters in recent years was a rare privilege. My particular specialty has been fairly mundane, collecting and collating data on real estate sales from the Australian States and territories since 1987, back to 1972, which, when aggregated against GDP, appear to

confirm Geoist theory. As a director of a thriving Melbourne real estate valuation, consultancy and property management company, I'm daily brought into contact with the world of land values.

On a personal note, I feel sad that the Catholic Church lost its way in times past

Was Henry George such a threat that he had to be kept quiet?

I could not put the book down I was thunderstruck at the ease of George's logic and language

BOOK REVIEW

By Geoff Forster



“MESOPOTAMIA AND CLASSICAL ANTIQUITY”

by Michael Hudson

Reviewed by Geoff Forster

The third edition of *Land Value Taxation Around the World* was issued as an annual supplement to *The American Journal of Economics and Sociology* (Volume 59, publ. 2000). There are 26 chapters on the attempted application of Georgist principles in various places around the world, including Australia, as well as a masterly introduction by the editor, Robert Andelson.

This first chapter (noted above) of the book deserves its own special review as it points out how in some respects Mesopotamia in the millennia B.C. was more enlightened as regards land policies than our present-day societies. Hudson points out that interest-bearing public debt is now growing sharply, at compound rates of interest. The accumulation of interest payments has enabled finance, insurance and real estate sectors to translate their economic power into political power, and then shift taxes onto other sectors. The result is that public debt's carrying charges fall on taxpayers other than real estate owners. Yet this debt arises largely from untaxing the latter.

He adds that a perverse tendency has of the English economy. Prices rose dramatically. Rents rose faster. The older aristocracy, which was based on stability, declined, and a more entrepreneurial aristocracy arose. As the value of land rose, landlords were faced with a dilemma. Under feudal law, it was often not possible for landlords to impose rents higher than those set in previous centuries, but it was possible to impose large "fines" or up-front payments at the beginning of each new lease. Furthermore, all capital improvements could revert to the landlord at the end of a lease. That meant, in some historical situations, that when a lease was renewed the landlord charged tenants rent on the improvements they had made during the previous lease.

In principle, the fine could equal the difference between the capitalized value of rent payments and the capitalized value of the residual, but accounting methods were crude. Even though saving enough to pay the fine was

developed to levy taxes not on a genuinely economic basis, but to tax profits and wages rather than unearned rent and "monopoly incomes from zero-sum economic free rides." Recent trends have seen a decline in property taxes as a proportion of public budgets and national income, accompanied by rising interest charges.

In today's world, land has become so heavily mortgaged that the majority of growth in land rent over the second half of the 20th century has been taken by mortgagees in interest. In contrast, the Mesopotamian "Clean Slate" proclamations freed the land of debts and enabled cultivators to direct their stipulated payments to the royalty.

Further, maintains Hudson, it is governments that have been squeezed throughout the world. In the USA, the real estate industry has gained so many tax breaks that it has become virtually free of income taxation.

The foregoing provides just a few points from Hudson's article in the larger work which is accessible at our Hardware Lane library. Also, copies of an article by Michael Hudson on Mesopotamian "clean slates", the Biblical Jubilee, and the deficiencies of the Jubilee 2000 campaign are also available as a leaflet from the Hardware Lane office.

ooOoo

when it decided to settle for charity, instead of economic justice, and to move in with the landlords. Recently I've been campaigning in a small way to highlight how the Churches have a most unholy level of involvement in property speculation. Nobody could rightly suggest that the Church supports paedophilia, but it does now undoubtedly believe that property rorts are simply "smart business", even though it has adverse ramifications for other sections of the community. The Church has got to work out for itself what business it is really in, the saving of souls or the amassing of property

Actually, I don't think that my Geoism has deepened over the years – I got fired up and just stayed that way. My broad suggestion to take the movement forward is to keep our eyes on the ball. Servicing meetings and nest eggs is not what it's all about.

I think we should 'say it like it is', in accordance with the principle of William of Ockham ['Ockham's Razor'], ie. that most effective solutions are not complicated. Economies are teetering on the brink because revenue regimes send all the wrong signals. It seems to me that we can continue to tax people for being productive, and keep humanity in its sometimes unwitting serfdom, or else we pay natural resource rents into the public coffers in order to kill off monopoly and speculation, freeing, thereby, people, the planet and the economy.

Our case is unassailable, and exciting times lie ahead for our movement.

ooOoo

A BIT OF HISTORY

THE ORIGIN OF THE TERM "RACK RENT"

by Cliff Cobb

I've come to the conclusion that one reason the definitions of "rack rent" have been inconsistent is that the definition was not uniform in the past. The Oxford English Dictionary gives two definitions:

- 1) full economic rent, and
- 2) excessive rent.

If the OED is confused, I'm not surprised that I am. This came to mind today because I'm reading some sections of Lawrence Stone's book, *The Crisis of the Aristocracy, 1558-1641*. This is a crucial period in the transformation

difficult for tenants, many preferred it to "rack renting," the term used for payment of the full economic rent. Both sides were damaged by the older system. The landlords were hurt because they received a lower total revenue; the tenants were harmed because they were less able to make capital investments in their property after having paid off the fine.

In addition, since leases were for "lives" (assumed at the time to be only seven years, based on the high mortality rates of the 15th century), the period between lease renewals (and thus fines) grew over time. Nevertheless, the uncertainty of the situation, including the unpredictability of the next fine, made the lives of tenants insecure. Those who could not pay the fine were turned off land their family had farmed for many generations. Thus, over time, tenants were convinced to accept rack-renting as preferable to a system of rents and fines.