



people's wrath against the upper house's action to stop the power of the House of Lords from being again misused.

Militarism was already in the air a century ago when Germany began to overtake Britain industrially and pose a threat to her markets. The aristocracy of both countries saw war as appropriate and almost inevitable, perhaps also offering a useful way to finally resolve politically vacillating imperial boundaries. Lloyd George didn't accept this fatalistic logic. He tried to countervail militaristic bravado by proposing a cut in expenditure on Britain's new Dreadnought battleships, reducing their planned number from six to four. However, the Tory opposition, with illicit support from First Sea Lord Jackie Fisher, mounted a formidable campaign ("We want eight and we won't wait!") which saw Lloyd George defeated on the matter within his own cabinet. War was thereby ensured.

The English aristocracy was not perturbed therefore when Germany declared war on Britain's ally Russia on 1 August 1914. Britain and France invaded the German protectorate of Togoland in Africa within the week. In the tinderbox political setting which had obtained, the killing of Austro-Hungarian Archduke Franz Ferdinand by Bosnian-Serb student Gavrillo Princip on 28 June 1914 proved to be a convenient excuse for the outbreak of the war. It served other purposes for *The Powers That Be* in both England and Germany - the British aristocracy believing it all to the good that it should also put paid for now to any suggestion of a national land 'tax'.

The tactics employed against the People's Budget serve a useful warning of the extent to which resistance that can be expected from *The Powers That Be* when it is proposed to capture publicly-generated rent to the public purse. In this instance, they thought it preferable to wage WW1.

Portents for the New US President

There's much goodwill at the moment for Barack Obama. The world is ready for a cooler, more thoughtful approach to international relations than was conducted by President George W Bush and his colleagues. Unfortunately, much of Obama's goodwill will rapidly dissipate when his newly-proposed \$1 trillion infrastructure program fails to turn the economic tide. Although Keynesian pump-priming

would assist the US economy as it emerges from economic depression, it will be found wanting during the initial deflationary phase as the economy tries to deleverage from the financial fiasco. The

economy itself is now in control, and President Obama and his economists should accept the fact. Instead of handouts for a favoured few, posterity would owe a

the new president is at the mercy of economists, 99.99% of whom are entirely clueless about remedying the financial meltdown

Primarily directed at Australia's politicians and policy advisors, Bryan Kavanagh explains the futility of neoclassical economic policies and outlines the underlying reasons for our present economic chaos, calling on the studies performed by Melbourne's geoist think tank, the Land Values Research Group.

Centenary of "The People's Budget"

There's amazing synchronicity in the centenary year of the "People's Budget", delivered in the UK under the Liberal Prime Minister Herbert Asquith, that never so much since as now has the world needed fiscal policy capturing a greater part of our annual land values if we are to correct out-of-control economies.

Although the principles behind David Lloyd George's 1909 "People's Budget" were better understood and overwhelmingly supported by the British people than they are now, they were strongly resisted by House of Lords aristocrats, despite the fact that it had been accepted practice since the 17th century that the Lords would not reject house of Commons budgetary measures. Nevertheless they vetoed the chancellor's land 'tax' budgetthe government be damned! The land tax proposal was withdrawn, but preparations to devise a land tax valuation base continued. Meanwhile, Winston Churchill and Lloyd George were quick to use the

vote of gratitude to the new president were he to direct the attention of Congress to repairing the structural fault that fostered the collapse, namely, dismantling the taxation system that rewarded real estate speculators whilst it fined productivity. Like a veil being lifted, the unreality of the US business world will be exposed to the full light of day when the destructive effects of the taxation system are finally recognised. Taxation *does* destroy!

However, the sorry fact is that the new president is at the mercy of economists, 99.99% of whom are entirely clueless about remedying the financial meltdown. They've been trained in the same way as those who presided over the collapse in the first place. They don't understand that there is an alternative to taxation. Economists of the Austrian School might be nonplussed at this point, because although they do understand that all forms of taxation are indeed theft from labour and capital, most of them have not yet discerned that land revenues drawn from the holding of real estate are not taxes in nature, but public rents. Nor do Austrian economists recognise that publicly-endowed real estate values do not in any sense connote 'private property'. Absent this understanding, they might therefore be justly labeled 'royal libertarians', only a measure of degree superior to entirely discredited Marxists at the other end of the political spectrum.

Fuel to the fire over the last 30 years has been the remorseless winding back of land-based revenues at the insistence of a rampant real estate lobby

The USA has reached this low point in economic history simply because taxation and land price increases were permitted to whittle away the purchasing power of its citizenry, and, as a consequence, astronomically inflate debt levels. Fuel to the fire over the last 30 years has been the remorseless winding back of land-based revenues at the insistence of a rampant real estate lobby. Mason Gaffney, professor of economics at the University of California (Riverside) long ago documented the decline in the fortunes of California following Proposition 13 putting a lid on its property tax in 1978. Contrariwise, Gaffney noted the superior economic performance of New Hampshire, the highest property-taxing state in the US. It seems that many people other than economists ('mules packing a library'?) are starting to comprehend the extent of the Californication of America. It's becoming more apparent to some that in order to wake from the financial nightmare the US sorely needs to capture more of its publicly-generated rent for necessary revenue, instead of fining wealth-producers. Economists still remain the stumbling block.

Meanwhile Back in Oz

Despite the need for taxation to be reduced and public capture of rent to be increased worldwide, "Australia's Future Tax System" (AFTS) seems destined to tinker around the edges. The panel of economists, comprising Ken Henry, Jeff Harmer, John Piggott, Heather Ridout and Greg Smith have retrieved the situation from Treasury's early 'slip' in its basic outline of *Architecture of Australia's Tax and Transfer System* wherein it said that revenue may be derived from three sources - from land, labour and capital - to produce its preliminary Consultation paper Summary in December 2008 which now appears to see only two potential revenue sources, labour and capital. Land seems to have disappeared, rendered invisible once again by the spin and prestidigitation of economists.

It seems Australians may assume the scrapping of a number of taxes, be expected to fall for the latest fashionable (hopefully diverting?) tax, and ignore the damaging role played by the taxation of labour and capital in fostering the development of Australia's about to burst land-price bubble.

The AFTS panel has been handed an extremely critical brief, made all the more important by world economic events. We must hope over the course of 2009 that it can raise itself above the mediocre to offer the solution to our times.

Coming Up...
Bryan Kavanagh is booked in for a presentation on *An Anatomy of the Global Financial Crisis* in the last week of July at our Hardware Lane offices.

Stay tuned for the actual date as this gig is firmed up.