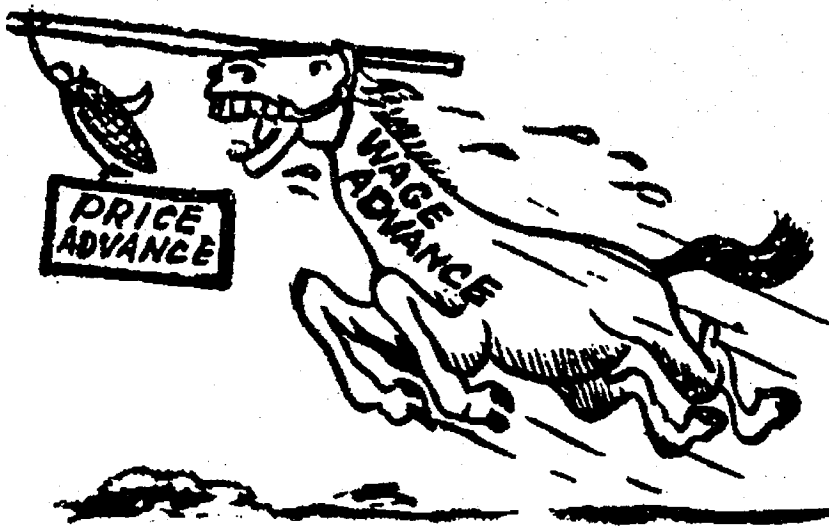


Bonus insert:
The 3rd way – a new
economy

THE JOURNAL OF TAX REFORM A U S T R A L I A PROGRESS

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Mission

The mission of Tax Reform Australia is to create prosperity and full employment by eliminating all taxes except those on land and natural resources.

Editorial

Mark Hassed

Two fascinating pieces of news came to my attention recently. The first and most startling was that Australia's richest man, Kerry Packer, would pay no income tax for the years 1989-1993. The second was that News Corporation has had an average tax rate of 5.7% during the 1990s. The influential US magazine, Fortune, described Australia's tax laws as "lax" and said how News Corporation used more than 60 Caribbean companies to shelter income.

To the average person struggling to raise a family on a normal income and who loses thousands of dollars to PAYE tax these news items must be nauseating.

Put quite simply, we, as a nation, are trying to tax the wrong things. Our system is based on identifying income and exchanges and then applying taxes to them. As Messrs. Packer and Murdoch have demonstrated, when one

has access to expensive tax lawyers and foreign tax havens payment of such taxes becomes optional.

Further, taxes on income and exchanges push prices up, which we shall soon see with the GST. Such taxes leave people feeling rather like the horse in the cartoon above.

How much better is Government raising its revenue by rentals on natural resources – the main of which is land.

Think of the advantages:

- Natural resources can't be carried off to the Caribbean. You can no more avoid or minimise resource rentals than you can avoid the rates.
- Resource rentals do not push up the prices of goods and services. Wages could catch up with prices.
- Resource rentals are fair. Your payment to the community is in exact proportion to the benefits you enjoy – no more, no less.
- The wealthy who control over 80% of our nation's resources would finally have to pay their share. This would leave the other 95% of us with much more money in our pockets.

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New to tax reform? See "Site revenue explained" on page 3 >>>

Unemployment – what causes it?

For some 27 years we have had roughly 8½% of people looking for work, listed as “unemployed” and accepting the dole, which just keeps them and their dependants in a “poverty” existence. Unemployment has been high under both Liberal and Labor governments (both State and Federal) and has ranged since 1971 in Australia from about 1 – 11%. It is of course worse in nearly all other nations. For instance it has been going on longer in Europe where there are now about 18 million people who cannot get a job! And “they” pretend they are civilized and democratic! Perhaps 3% of our unemployed are no-hopers, bludgers and alcoholics, so we may have to give some charity to these 300,000 or so people. But the remaining 5½% (say ½ million!) want to work and exchange their efforts to support themselves and their dependants (without charity). What prevents them? What causes high continuing unemployment? Do you know?

Our politicians and economists have had many years (even a lifetime) to tell us the cause. Either they don't know or, if they do know, they refuse to say! And why would they refuse? Either the politicians would fail to get votes, or else both the politicians and economists feel they would be “worse off” if they spoke out. Perhaps they would not get paid?

Is there some body who might pay them to hide such an important fact? Is it not absurd that there are 1 million people in Australia who cannot get a job and the economists predict that it will continue? One wonders on what grounds they could predict, if they don't know the cause.

Most of the 500,000 are either experienced or they are young and healthy. All are reasonably well educated and all want to work. It is said that production requires land, labor and capital (and time?). We have plenty of people (labor). We also have plenty of capital. There are lots of empty shops, offices, buildings and factories and machines and there is plenty of money! We all want things – especially the poverty stricken, so there is plenty of demand (but at a price).

And we have plenty of unused land in Australia. There are lots of sites in the city and country which are under-



used, at efficiency of say, 80%, 60%, 40% and there are even sites which are not used at all and left ‘vacant’. There are plenty of sites, which are not used, yet there is plenty of labor and capital available! There must be something which deters people from employing each other and stops them from using the “land”. What is it? The answer is that we continually elect governments which punish us with fines as soon as money is used to facilitate any exchange of the results of effort. We are fined by taxes! AS soon as anyone employs anyone else, the employer is fined by payroll tax, and the employee is fined by income tax! As soon as anything is bought and sold, the price has to go up to include all sorts of consumer taxes (sales tax, GST, VAT, finance tax, tariffs, stamp duties, etc.). These taxes do raise the price of all goods and services. If you raise prices, what

happens? Sales go down and so production goes down and less people are employed. That is the basic cause of unemployment; high prices caused by high deterrent taxes.

So what do sensible politicians and economists and voters do? They reduce the bad deterrent taxes by gradually replacing them with good incentive taxes which do not raise prices? There is such a tax, namely land value taxation. This does two things. First of all it replaces bad taxes which deter and it permits prices to be reduced and more sales and production occur which in turn means more people are employed. So high

continuing unemployment falls and of course we have less taxation to pay for their doles. There is increased prosperity for everyone who wants to work (that includes everyone who already gives service now). There is more production,

more sales, lower prices, full employment and less taxation! Greater prosperity.

Secondly, there is of course the incentive effect of land taxation. An increase in site value taxation would be a clear incentive for all who held land titles for any purpose, to use that site reasonably fully and efficiently or to transfer it (either by sale or rental) to some one who would use it. In other words, all the better land would be fully used and the worst land would probably be “vacated at the margin”.

The answer to our unemployment problem lies in our taxation system, not on how that revenue is spent. Sadly our governments and our voters have been and are continuing to go the wrong way. They are increasing taxes such as the GST but reducing

the taxes on land holding. By the way, little has been said about income tax. This is a mixed tax as there are two sorts of income – earned income from exchange of effort and unearned income from privilege issued (forever) by governments for site titles and resources. We know intuitively that the higher incomes mainly contain a higher proportion of unearned income, whereas the middle and lower incomes (mostly PAYE) mainly contain very little unearned income. There is little doubt that a change from income tax to the GST will benefit those on high privileged incomes and the burden of taxes will fall more heavily on work and proper capital (as well as on the unemployed).

Our governments (both Liberal and Labor) which are elected by us (the voters) continually keep a huge number of unemployed which causes even those who work (at all levels) to be apprehensive of the 'sack'; which in turn keeps all wages and salaries down to the great pleasure of Union bosses.

We should not tax the "rich", we should tax the privileged according to the value of privilege held and disclosed by the market.

Our governments (and others) both Libs and Labs suggest a number of reasons for high continuing unemployment. Briefly these wrong suggestions include:

1. Immigration (mainly by P Hanson)

Our present immigration is about 50,000-60,000 net. Some economists claim that this actually causes more jobs to be available than the increased population (i.e. a drop in % unemployed) But even if the immigration caused all 50,000 extra to be unemployed it would still only be a tenth! Actually the effect is so small that it can't be determined as it is quite unimportant as the main (huge) effect.

2. Gender

This claim is that married or single women are taking over "men's" jobs. This is so silly that we will not discuss it. Anyway, what law would you make?

3. Inflation

This has been tried by just about every nation and it certainly has never worked. Usually high inflation is a cause of poor living standards and high unemployment everywhere. And then of course there is 'deflation' and "balanced" budgets. This has also been tried by many nations and it does not affect unemployment. It was tried in England by Mrs. Thatcher recently and by Sir Otto Niemeyer in Australia in 1930. It is not a matter of money control or interest control (whether Keynes or Friedman recommend it). It is irrelevant.

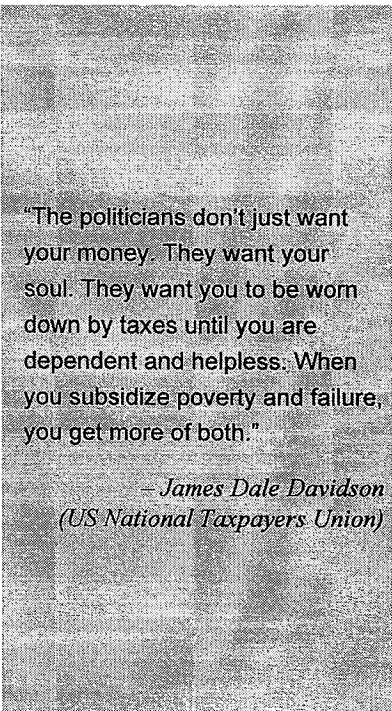
4. Lack of Training

This is trotted out continually by politicians; the latest being Dr. Kemp and his cronies. It is quite clear that industrial (and war) experience has shown that even the "simplest uneducated" people can be quickly trained to do quite complicated jobs in a short time (say 6-8 weeks). It is obviously not a shortage of trained people; it is a shortage of opportunity to use sites and resources. And there is a "shortage" because people are punished for both employing and being employed and exchanging the results of work, using money. They are not punished for holding sites which are issued by government, whether held idle and unused, or used.

5. Advances in Science & Technology

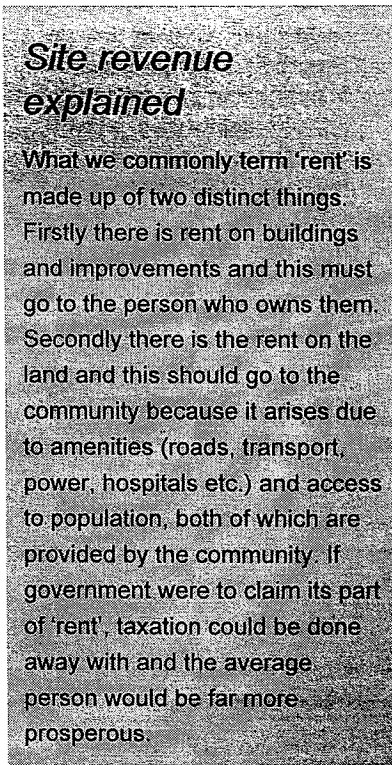
This is of course another excuse used by politicians – particularly the "Luddites". Technology does allow more satisfaction to result from less effort. It does require people to change what they do and what they use, otherwise we would still be walking (perhaps riding horses?). Instead we now travel by car, bus, train or plane thereby seeing more and going further and quicker. 100 years ago we did not have radios, TVs, CDs, mobile phones, computers, etc. Even so, we quickly changed from using valves, to using transistors and "chips". But who got most of the benefit? It was mainly the privileged! Actually all this improvement has masked the huge disadvantage which has occurred in the lowest 20% of incomes and particularly for the 8½% unemployed.

All the above "reasons" for unemployment are false and should be strongly opposed. The basic reason for high and continuing unemployment is our bad tax system which uses deterrent taxes such as consumer and payroll taxes on exchange, instead of using incentive taxes such as land value taxation. This causes lower prices, more sales, more exchange, more prosperity and a higher standard of living for all.



"The politicians don't just want your money. They want your soul. They want you to be worn down by taxes until you are dependent and helpless. When you subsidize poverty and failure, you get more of both."

— James Dale Davidson
(US National Taxpayers Union)



Site revenue explained

What we commonly term 'rent' is made up of two distinct things. Firstly there is rent on buildings and improvements and this must go to the person who owns them. Secondly there is the rent on the land and this should go to the community because it arises due to amenities (roads, transport, power, hospitals etc.) and access to population, both of which are provided by the community. If government were to claim its part of 'rent', taxation could be done away with and the average person would be far more prosperous.

The debate that never was

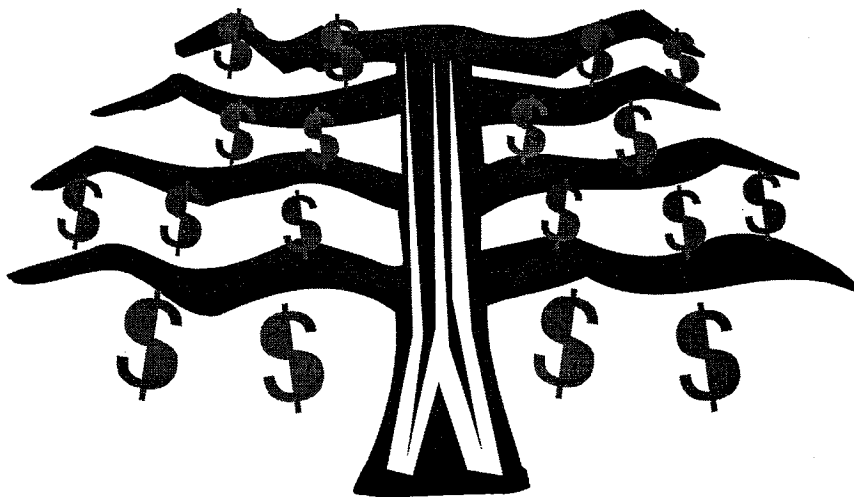
Phil Day
Lawyer and town planner
Queensland

Billed as a "once in a lifetime" opportunity to reform the nation's tax system, the opportunity for real reform – if it ever really existed – has effectively been squandered. By the time of the election, Mr. Howard's "great adventure" had degenerated into a pro- and anti- GST debate and a tawdry auction for votes. In the light of the electoral verdict it seems we are now left with the prospect of some form of goods and services taxation possibly coming into operation about the year 2000.

Genuine tax reform was never really on the agenda. There was no attempt to canvass all the possible options. The Government's multi-million dollar 16 page booklet contained a mish-mash of election budget-type promises but little evidence of a new tax system – or a less complicated one.

Public debate was confined to a pre-determined GST based package and popular speculation focused on the likely winners and losers of a few short-term dollars. Perhaps we shouldn't have been surprised. After all, for the past two years private greed and self-interest have been systematically promoted. The cult of privatization has been accompanied by the deliberate dismantling of the public sector and the downsizing of all the symbols and institutions of a cohesive and compassionate community. Accordingly the lure of lower taxes was more attractive than serious taxation reform. Seemingly nobody recognised that lower taxes could be a fraudulent hoax if they were offset by the separate charges levied by profit motivated private corporations for the services and facilities previously supplied by government.

Most importantly, we witness a tax "debate" during which the most fundamental flaw of all in the present taxation system was never even acknowledged. No attempt was made to address the fact that the prevailing system taxes what people add to the community by way of their labor, enterprise and productive investment. It does not tax what they subtract from the community by consuming its natural resources and energy and by generating waste and pollution. Indeed, the proposed GST, the key element of ostensible reform, compounds this flaw. It specifically



targets the goods and services which the community needs and which people are employed to produce.

By contrast, without arbitrarily distorting the economy, ecological taxes and charges for the use of the community's natural resources could substantially reduce our dependence upon income and corporate taxes. Yet, while this approach has been attracting increasing attention in the UK and Europe, it was accorded no place on our national tax reform agenda.

Valuation and rating mechanisms already exist which would enable gradually increased charges to be levied upon the use of our land resources. Yet the politicians and the media were conspicuously reluctant to widen the scope of the pre-election tax debate.

In the event, the nation's electors were required to vote upon a pre-determined tax package. They were not told that, more so than any other form of revenue raising, land value taxation was, demonstrably, a form of revenue raising which:-

- Does not penalize hard work, skill or enterprise
- Can't be evaded by the cash economy or by trans-national manipulation
- Would raise revenue from people who do not presently contribute
- Involves virtually no time and money-wasting compliance costs
- Protects the finite natural environment from speculative exploitation
- Does not discourage self-reliance on the part of social welfare recipients
- Deters the speculative withholding of land from productive use by home seekers and genuine producers of goods and services
- Deters cyclical boom and bust speculation in land prices
- Automatically captures for the community the windfall profits presently conferred on landowners by town planning and public works decisions
- Automatically compensates any property owners injuriously affected by such decisions
- Permits foreign capital investment without conferring

unfettered ownership of Australian resources; and, not least,

- Philosophically reinforces the reconciliation process by recognising land as a finite natural resource vested in all the inhabitants of the continent

These are very substantial advantages. Any serious review of the taxation system should consider them. To date, however, they have been consistently ignored in what has passed for debate.

So, where to from here? The quest for genuine tax reform ought to go on. Hopefully it will not be stifled by parliamentary stalemate. But maybe tax reform needs to be pursued in the wider context of the quality of life. What, after all, is the end objective of public revenue raising?

Our quality of life and our stature as a nation will be determined more by the standard of the public institutions and facilities available to all, than by the range of private consumer goods affordable by the rich and greedy. A society which recognises this is more likely to appreciate the purpose of revenue raising and focus on the most logical ways of going about it. This means eschewing the prevailing cult of greed and self interest and the ideological steamroller will need to be rolled back to reverse the deepening divisions in Australian society between the comfortable elite who have been the principal beneficiaries of economic rationalism and market economics and the worried and insecure majority who have not.

Interestingly, land taxation was enshrined in the Australian Labor Party's platform for many years until it was omitted in rather curious circumstances in the early 1960s. For a century or more of course the Georgist movement has tried to propagate the equity and logic of land value taxation. Latter day disciples of Henry George however, will need to recognise that mouthing the "single tax" mantra in isolation on the political sidelines will never be enough.

Tax reform needs to be demonstrably relevant to current issues and political and social realities and be demonstrably capable of practical implementation. If it is to be seen as topical and relevant in what is becoming a more

environmentally conscious society, the concept of universal land value taxation (as distinct from arbitrary and discriminatory State land taxes) will need to be widened to embrace the whole spectrum of finite natural resources and combined with ecological taxes on pollution and environmental damage.

There are some incipient indications of latent community empathy with the inherent logic of this view – and its seminal relevance to the reconciliation process. This latent empathy will need to be carefully nurtured.

This is surely the direction of comprehensive taxation reform – if we are really serious about it, but the process and its implementation may necessarily be gradual. Meanwhile it is tempting for those attempting to challenge conventional wisdom to suspect a conspiracy of silence in the media in deference to entrenched vested interests.

Massive fortunes have indeed been made from the exploitation of land. The problem however, is that we have all been passive conspirators. We have all complicitly subscribed to the mindset which has prevailed ever since the Middle Ages when the fateful privatization of land originated. Treating land as if it were a man-made commodity, to be privately traded for profit and withheld from the market for speculation, has become so commercially and culturally institutionalized that any alternative is almost unthinkable.

This long ingrained mindset which accepts the commodification of land is the real obstacle, the hard core of the problem. It needs to be recognised as the hurdle which fiscal and social reformers in western society must ultimately overcome.

Mr. Day is the author of "Land: the elusive quest for social justice, taxation reform and a sustainable planetary environment", Australian Academic Press, 1995.

Blue print for a brave new world

S.O Appleby

It has been reasonably calculated that if work were to be shared evenly across any population, each man and woman would be required to front up for work, for at most, 3 days per week, leaving one day for total leisure and 3 days for tending the vegetable patch.

PROBLEM— How to achieve an equitable share out of the land and giving every one a chance to grow and nurture his/her basic food needs and achieve housing needs.

ANSWER— There are sundry organisations in Australia which concentrate on disseminating the views of that greatest of all Americans, Henry George, whose major work "Progress & Poverty" is a bench mark in the problem of inequity.

In every State there is a Henry George Foundation or League. These organisations will flood you with literature. If you humbly request it. Their basis?

Replacement of an impossible and complex system of taxation with one tax on land which is called "site revenue". It proposes the following question – if site revenue were to be introduced tomorrow, who would be better off? Answer – the vast majority.

But note that what G B Shaw labelled "the have and hold brigade" will fight to the death to hang on to "their" land and let everyone else starve for lack of the opportunity to utilize it productively.

Alongside this has to be the regulation of all banks because these are again, non-productive.



Both sides omit major issues

The exposure of a Labor think-tank's plan to tax services has given part, but not all, of the reason for the politeness of the debate between John and Kim.

It appears that, as in the past, both major political groupings want to introduce a Goods and Services Tax (GST), and the past opposition from one side was because opposition was a vote-winner.

Whether called by one name or another, and whichever major party were to get it through Parliament, a GST would not touch any raw nerves among the "Big Players," who include the billionaire companies both Australian and non-Australian, plus a large percentage of the middle class.

Only a basic charge that is impossible to evade, such as a tax of 5 to 8 per cent of unimproved land value, plus charges for resources, TV channel bandwidth, and pollution, would ever involve the Big Players in sharing the country's wealth with the rest of the people.

Skase overseas avoiding the tax man and his creditors seems immune to red-blooded government action, while Packer (using a tax haven) and Murdoch (7.5% company tax paid worldwide) are just two examples of Big Players who fly around freely but don't pay their share of community expenses.

No Coalition GST or Labor Party Services Tax will really get a fair share of the multinationals' income, which includes a portion that has been obtained by cornering a monopoly and then extorting the public by under-paying wages and over-pricing what they sell, both here and abroad.

In fact, it is possible for a prosperous person or company based in Australia to export goods or services on the condition they are paid at an overseas address, and do a lot of buying and investing with that money in no-tax or low-tax countries. Tennis star Pat Rafter has his winnings sent to a tax haven. Woolgrowers got paid in London during the 1950s wool boom.

The major parties' current election campaigns have not frightened the Big End of Town.

But what has touched a raw nerve of the Big Players are the minor parties' tax reform proposals and their policy of making the wealthy share the tax load, so the Chamber of Commerce and Industry (controlled 80% by multinationals) is now spending a huge sum to scare people off voting for the "minors."

The CCI says the "minors" would cause instability – but fear of instability is a bogeyman. For example, in foreign affairs, remember how that bogeyman was used by the Western Powers as an excuse not to prevent the illegal and genocide-causing act of Suharto seizing East Timor in 1975?

Do Indonesian farmers, workers, business people and professionals enjoy that military regime's "stability," which is based on lies, exploitation, speculation, threats, and force? In the same way, no taxation "reform" based on lies can give true stability.

And it is dishonest to issue election propaganda that does not admit the major parties' plans to misuse the Wik decision to grant billions of dollars worth of land freehold to wealthy non-Australians and Australians, and their long-running plan to take the suicide pill of the Multilateral Agreement on Investment (MAI).

As a speaker said at a Stop-MAI meeting in WA this month, the multinationals in the Third World can keep the producers from getting their full earnings, and stop environmental resistance groups, only by the threat of force and the actual use of torture and murder.

It is not surprising, given the huge funds that multinationals and similar groups give the major Australian parties in electoral campaign donations, that both major Australian political groupings have again in recent decades come close to using guns to stop the productive part of

society from getting a fair living in a modernised computerised age.

During the airline pilots' dispute Labor's Hawke used the RAAF to ferry politicians and the elite around the country, and when the multinationals won they called in French pilots to take the jobs. The Coalition's Howard and Fischer in recent months nearly succeeded in a plan to replace our waterside workers with mercenary soldiers, trained in a foreign dictatorship's port.

Centralising economic power into fewer and fewer hands is what both major party groups have been doing for decades, in direct contradiction to party platforms, the aspirations of honest members, and the hopes of the voters.

The Grab and Snatch Tax (GST) is only a smoke and mirrors trick to take voters' minds off the underlying problems caused by the multinationals and their mouthpieces, the leading politicians.

Because the multinationals and others are not paying their share, taxes like GST are being invented to gather more money from the ordinary producers, so increasing their debt and decreasing their ability to invest.

To fix the economy, we must first let the producers keep more of what they earn.

"I would like to electrocute everyone who uses the word 'fair' in connection with income tax policies."

— William F. Buckley

"Income tax returns are the most imaginative fiction being written today."

— Herman Wouk

HISTORY

Site value rating in Scotland

Agitation for land reform was much in the air in Scotland in the 1880s having been sparked off by such events in Ireland as the Land War. However, its history lay much earlier with the Highland Clearances and with anger at the indifference of the government in London where important Scottish legislation often failed to get through for lack of a quorum in the House of Commons.

In 1782 William Ogilvie, an Aberdeen University professor, had published an essay *Birthright in Land* which brought the matter into the political arena, but it was not until the ideas of Henry George took root did Scotland start to formulate a coherent land policy.

In Skye, where lands which had been common pasturage were now subject to rent, a revolt by crofters brought in the police, gunboats, violence and arrests. The Highland Land Law Reform Association from Inverness and the Land League in Ireland were probably behind the ensuing campaign for reform.

A Royal Commission was set up and a Crofters' Bill was brought in to implement some of the Commission's recommendations. It was not until 1886 that a revised remedial Bill received Royal assent and fair rents, fixity of tenure and in some cases the right of crofters to acquire land by compulsory purchase became law.

Henry George had visited Skye in 1884 speaking at Portree, Glendale and Uig before going on to Glasgow where its citizens realised that land reform was not just something that affected the Highlands, but was a very urban matter as well.

By 1888 "land-value taxation" and the "single tax" were common slogans and later on when it was seen that local government might be the vehicle for reform, the label "site-value rating" appeared.

Henry George was in Scotland again in 1889 and on April 28 spoke to a large crowd at the City Hall, Glas-

gow. The Scottish League for the Taxation of Land Values was formed to publicise his message. By 1890 the Glasgow municipal council was examining site-value rating as a serious proposal, but when put to the test in June 1891 it was defeated by the casting vote of the Lord Provost.

Curiously enough the House of Commons was not unsympathetic to these Scottish aspirations and a Bill to allow Scottish local authorities to introduce site-value rating passed its second reading in June 1905 only to

fail because of lack of Parliamentary time. A Bill for the valuation of land in Scotland was passed by the Commons but rejected by the Lords in 1907. The Lords wrecked a similar Bill in the following year.

In 1909 Lloyd George introduced his People's Budget with its ill-fated attempt to introduce a national land-value tax. After that, although there remained in Glasgow a strong movement in favour of land taxation, Scotland came no nearer this goal than did England.

Paying our public servants

W. H. Pitt, Nunawading

The basic fact is that labour produces everything and the basic principle in both private enterprise and the public service alike is that the labourer is worthy of his hire. From this it follows that the revenue needed to meet the cost of government should be set by the worth of the facilities that governments supply.

While the products of private enterprise come in smallish parcels, those of government come as an indivisible 'basket of services', the value of which appears at each location as a site rental - high figures for close-in, fertile, or mineralised land and lower ones if the soil is poorer, the minerals less abundant or the facilities fewer or distant.

Today, governments largely allow these site rentals to be retained by the landowners and, according to market expectation as to their future, to be capitalised as land-price. Rectifying this would give governments a revenue directly equal to the worth of the facilities. It would be a Goods and Services Tax in the form of a justifiable Land Charge.

While residential occupiers would mostly pay direct, our farmers, manufacturers and merchants, just as today, would recoup the outlay in the prices paid for their products. With the municipalities doing the collecting and, on large scale subdivisional maps, displaying the figures for each and every piece of land accuracy would be ensured, updating would be easy and there would be unqualified public approval.

The social benefit would be an end to the monopoly system whereby, often unwillingly, our land holders today combine automatically to withhold land from its natural use, thus to bring unemployment and letting the owners not only to collect the natural public revenue but also to exact a monopolistic super-rent.

Thus it is governmental neglect of what should be its duty that allows unemployment to arise and, by reducing the purchasing power of the community, causes markets to be glutted with unsaleable goods while, because of the continuing poverty, demand remains unsatisfied.

Dissenter's corner

The editor of Progress, in a distracted moment, has invited me to submit a regular column to this august journal. As I am quite frequently found foaming at the mouth in a Georgist rage in various letters to the editor's pages of whatever newspapers I have the addresses of, or ear-bashing some unfortunate captive whenever I have half a chance, I leapt at this golden opportunity, and will try to do justice to his rash invitation.

In each issue, I aim to range over one or some of the following broad areas:

- Hot topics: Burning issues of the day such as "tax reform" and associated lurks. If there happen to be no issues smouldering at the time, I will attempt to ignite one.
- Web News: What's happening on the Internet. How we can access and make positive use of the vast resources of the Internet, including "NewsGroups" to further the cause of Georgism. I will try to keep an up to date list of relevant sites and links.
- Comments on Georgist issues and initiatives at home and abroad. Often a Georgist group in some far flung place will come up with a bright idea on promoting our common cause. I will keep my eyes and my web-feelers out for such things and pass on the information.

Comments, suggestions or arguments, (but no out-and-out abuse, unless it's witty), on subjects covered in this column are welcome, so please feel free to contact me either through the Editorial Office or directly at aob@senet.com.au

I would like to start the ball rolling then with a bit of frothing at the mouth on what is, or should be the hot topic of the decade.

The sale of public assets – Have we the right to privatise community resources?

Should the community, through its government, own and maintain all the infrastructure – the roadways, the

cables, the airports and seaports, airways, shipping channels, rivers, electromagnetic wave-bands and broadcast channels – and only allow private enterprise to bid in an open, unrestricted market for the right to come in as licensed competitive operators on these communication channels, subject, through regular review, to the continuing approval of the community? Or have we the right to sell or hand over control of these publicly funded assets into private hands?

Nicholas Tideman in *Land And Taxation* suggested that:

...Political redistribution also occurs within nations, as with the English enclosures and Scottish "clearances", when one part of the population in effect conquered the rest by political machinations, and took over their land, their source of livelihood. Re-appropriation and new appropriation of tenures is not just an ancient or a sometime thing but an on-going process. This very day, proprietary claims to water sources, pollution rights, access to rights of way, radio spectrum, signal relay sites, landing rights, beach access, oil and gas, space on telephone and power poles (e.g. for cable TV), taxi licenses, etc. are being created under our noses. In developing countries of unstable government the current strong man often grants concessions to imperialistic adventurers who can bolster his hold on power by supplying both cash up front, and help from various US and UN agencies from the IMF to the United States Marine Corps.

Or, as one of my heroes – a philosophical antecedent of Ricardo, Adam Smith and Henry George – Gerard Winstanley, famed leader of the Diggers Movement in England in the middle of the 17th Century, so eloquently said:
"The poorest man hath as true a title and just a right to land as the richest man... by the Law of Creation it is everyone's and not a single one's. Kingly government was that of the highwayman who had stolen the earth from his younger brother."

I think the admirable Winstanley could not have disagreed with Nicholas Tideman in including all public resources in the word "land".

The wealthy, through their corporate instruments, as ever, are the proponents, initiators and the biggest beneficiaries of the current epidemic of public asset sales. This massive, world-wide fire sale is simply the latest chapter in the time-honoured and never-ceasing history of the transfer of wealth from the poor to the rich.

The sale of public assets is an antisocial development which:

- alienates and disenfranchises forever all those who do not take up shares in the privatised enterprise.
- when accomplished through public floats, as in the cases of Telstra and the Commonwealth Bank, undermines community opposition to the introduction of laws which facilitate worker exploitation, by buying off large sections of the community whose goal then becomes profit rather than the community benefit.
- further cripples the already emasculated labour unions, whose superannuation funds may well invest substantial sums in such privatised utilities as Telstra or the Commonwealth bank, and thereby severely compromise their own ability to defend their members who work in these privatised organisations against inadequate wages, rampant casualisation, declining conditions, unfair work-practices, threats of redundancy, etc.

The community, as the only rightful owner and guardian of a country's resources such as physical and electronic communication channels, water supplies, national issuing banks, power-generating authorities, etc., have no right to even consider the sale of any of these enterprises even if asked, through a referendum to do so. A community resource such as a coal or gas field, a communica-

tion channel, or an oil deposit, is no different in this respect than is land. Since, not having made them, we cannot own these things in the first place, we don't have the ethical right to make such a decision. We would be making such a decision on behalf of those not yet born, on behalf of immigrants and refugees not yet arrived, every single one of whom have a just and equal right to expect that access to these resources will not have been privately monopolised for all time by a previous selfish, corrupt and ignorant generation.

We tend, these days to associate the word *monopoly* with the worst evils of the capitalist system; with rapacious corporations cornering markets in essential commodities and such. A private monopoly is vastly different from a public one. The beneficiaries of the private monopoly are the directors and shareholders and bribe-payers of the corporation. The beneficiaries of a public monopoly such as a power-generating plant, a water pipeline system or a (toll-free) road network are the members of the community who operate and use the resource to the benefit of the community. The community does not need to make a profit; as any surplus income goes back into maintaining and improving the resource.

There are some functions in a community such as the provision and maintenance of the infrastructure that are the rightful, logical and just preserve of government as representative of the community. The building of the actual channels, such as roads, railway lines, power lines etc., may be undertaken by private enterprises, but the ownership of the land and resources which the infrastructure occupies must in all justice remain with the community. The operator of the service itself may be a private company in competition with whoever else wishes to compete in that field, but the ownership of the land or other resource should never be sold. We do not have the right to do so. These resources not belong to anyone, but are simply guarded and maintained and improved by the community for future generations. To steal these resources from the people and sell them to individuals, companies or corporations is a crime against society. It is theft. We have no right

to sell Telstra, the water systems, the electricity generating authorities or any other utility to private corporations. When this is done, the benefits which were enjoyed by all the community are redirected to only a few privileged individuals. When you buy shares in a privatised public resource you are stealing from your fellow citizens. You gain at their expense.

The sales of our public assets; the Commonwealth Bank, The Federal Rail System, water supply and power generating authorities and Telstra have this in common: They all represent the full or partial transfer of a publicly owned resource into private hands. The beneficiaries are no longer the citizens but the directors and shareholders.

The implications of these fire sales is not fully appreciated. What happens in a case where for example, Telstra's bean-counters, masquerading as economists, decide that, to maintain profitability, it is essential to contract out the manufacture of a particular component to some slave labour camp in China, Indonesia or Burma. Or that the wages of the linesmen in Cobar or Bendigo exceeds that of some hoveldwelling pauper in the Philippines or Sao Paolo, and needs rationalising? The shareholders are now the same people who a few years ago would have had the decency that is the preserve of most fair-minded citizens to object to such anti-social manoeuvres. But now those people are shareholders in a private, bucaneeering enterprise; and the board assures them that their proposal is the only real option. Otherwise the window-of-opportunity will slam shut, world-best-practice won't be practised, Standard & Poor will frown, the competitive edge will be lost and the share price will plummet! These mums and dads, the new participants in major corporatism will acquiesce while shaking their heads sadly at the injustice of it all, and shrug resignedly, "Anyway, the whole process seems so inevitable, and its our retirement income we're talking about."

What a brilliant and cruel and cynical trap! What a sleazy amoral deceit! What snakes are these who are performing this three-card-trick with

our assets, with our resources, in exchange for a pat on the back from the fund-manipulators, a vote or two and a few dollars from the pawnbroker? Talk about short term gain for long term pain! Maybe now we are experiencing a tiny inkling of how indigenous people around the world must have felt when they were conned into swapping their lands and resources for pieces of worthless parchment and a few handfuls of poisoned shiny trinkets.

Encouragement of small investors into the stock market to buy a piece of stolen community property is like giving your potential enemy or critic a crumb from your feast, a minute portion of the spoils of the crime in order to undermine their possible opposition to your activities. How many small shareholders of Telstra, the AMP, the Commonwealth Bank or Qantas are going to make a fuss when 'their' corporation, the guardian of their retirement income wishes to bypass or circumvent environmental or social legislation; or when they decide to maximise this year's dividends by rationalising away the livelihoods of another few thousand of your fellow citizens; or in the interests of the bottom line, to move this or that corporate function offshore to some third world slave market. It's to the shame of us all if we let their corrupt and barren philosophy prevail.

Having got that off my chest; here are a few quotes to round off the evening or fill in the corners.

"The market is not an invention of capitalism. It has existed for centuries. It is an invention of civilization."
Mikhail Gorbachev (June 8, 1990)

"We shall never understand the natural environment until we see it as a living organism. Land can be healthy or sick, fertile or barren, rich or poor, lovingly nurtured or bled white. Our present attitudes and laws governing the ownership and use of land represent an abuse of the concept of private property... Today you can murder land for private profit. You can leave the corpse for all to see and nobody calls the cops."
Paul Brooks, *The Pursuit of Wilderness* (1971)



And so, into the Kremlin...

For five years we have worked in Russia, beginning on the fringes and working our way towards the centre of power in Moscow. We climbed many hills and collapsed into many depressions along the way; but fortified by the financial support of scores of Geor-gists around the world and the selfless commitment of our experts whom we could assemble from the Four Corners, when they were required, we kept going. We have been credited with some achievements by Russian politicians, such as helping to scupper the President's Tax Code which sought to abolish the Land Tax. The revised Tax Code which the Federal Government presented to the Duma this year retained the Land Tax.

And now we can even claim to have penetrated the walls of the Kremlin itself! It's a surreal situation. Last Thursday one of

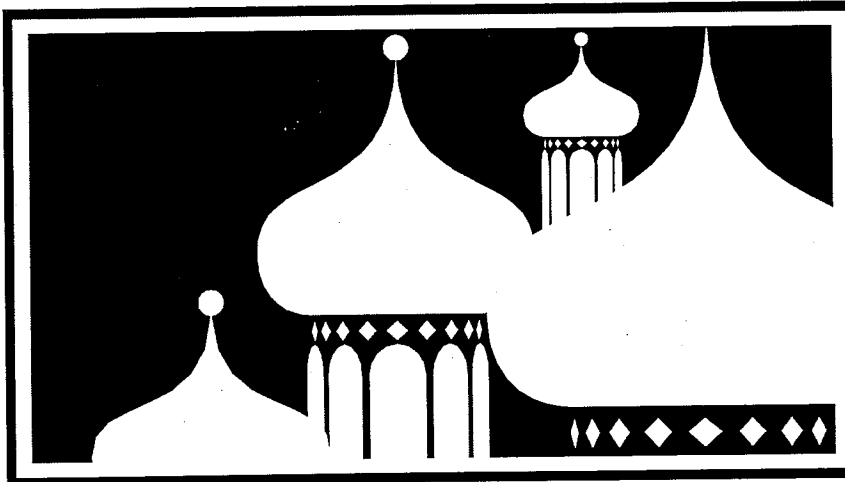
Prime Minister Kiriyenko's senior advisors, Dr. Dmitry Lvov, sat me down in his office and asked for answers to specific questions on how he could sell the rent-as-public-revenue policy to the government by convincing the Prime Minister that the practical problems can be overcome. Dr. Lvov is our most distinguished academic champion in Russia. He is the head of the Economics Department in the Russian Academy of Sciences. I have the pleasure and privilege of being one of his close co-workers on the land-tax front (before leaving Russia, last week, he asked me to prepare the first draft of a lengthy article which we would co-author, for publication in a leading Moscow newspaper). So although we have not established direct relations with the Yeltsin government – yet – we have an active bridgehead into the Kremlins through Dr. Lvov.

But bizarre is the only work for politics in Russia. The Prime Minister does not welcome Dr. Lvov's advice. Dr. Lvov, in turn, continues to insist, during their consultations – which the Prime Minister is obliged to hold, given Dr. Lvov's status – that Russia needs to restructure its public finances. Ironically, on the day I was being consulted by Dr. Lvov, the Duma was debating the Federal government's proposal for a law to quadruple the Land Tax rates. This proposal was not the result of enlightenment, but was made under the duress of the IMF's stabilisation

two years. A strong attempt to displace him through popular demand was terminated a few weeks ago when Duma deputy and Chechen war hero General Lev Rokhlin was shot in his bed, allegedly by his wife on their son's 14th birthday. Few people in Russia believe that the General's wife freely confessed to the slaying.

We are now actively figuring out who to support in the presidential elections. The Moscow mayor would be a good bet: a speech he delivered in 1995 could have been written by Henry George himself (extracts will

be reproduced in a forthcoming issue of Land & Liberty). General Lebed has an excellent economic advisor who strenuously supports the need to treat rent as public revenue; but that adviser says the General is mercurial and we could not be sure of what he



program which forces the government to raise more revenue in taxes from any source possible. As I was talking to Dr. Lvov, the Duma reflected this law. But it did pass a law to create a 5% Sales Tax to supplement VAT. Rationally, the Duma should have rejected the Sales Tax and willingly raised the Land Tax. Rationality, alas, was a victim in the mad rush to legislate a raft of tax laws before the summer recess and before the IMF brought down its guillotine on its \$17 b package.

Yeltsin now threatens to increase by decree some of the taxes rejected by the Duma. His action, needless to say, is not out of conviction but financial necessity. I cannot elaborate the detail here, but I can tell you that the Russian government is bankrupt and there is no way in which the latest IMF deal will save it from the next financial crisis. We do not know whether Yeltsin can survive the next

would do once in power. There are one or two other interesting personalities on the horizon, but we cannot be sure whether they will be willing to offer themselves as presidential candidates. In the meantime, our skirmishing tactics – which are dictated by the shortage of resources – will continue; so far, we have proved that they work – we are reaching the people who matter. The key is staying in power. The game plan is to hold on to our gains, awaiting the time when we can break through the government's ranks...

News from the home front

Land Policy Council has been forced to adopt a new identity. We sought to register our name but the British authorities rejected the work "Council" as a sensitive one which implied semi-official status. So we have registered as a company, limited by guarantee (as the lawyers put it),

under the name: Centre for Land Policy Studies. We will seek charity status in due course, but not if this is going to compromise our freedom to campaign for justice.

The name has changed but the policy remains the same. We will continue to campaign for the philosophy which you all associate with the name of Henry George. Unfortunately, we will not be able to keep you as regularly informed through our newsletters as in the past. This year's financial appeal by Chairman Ronald Banks set a target of £30,000. In the event, the appeal yielded insufficient funds to enable us to maintain former levels of activity. We have about £1,500 left in the bank to see us through to the end of the financial year (next March 31). We will have to husband the remaining cash to keep the telephone line open so that we can continue to support activists in the rest of the world. For example, last April a fax from a colleague in South Korea led to a meeting in London and a briefing on strategy. Their new President's economic advisor had announced at a Press conference that he was first introduced to economics by reading a book written by someone called Henry George!

One result of our London meeting was the invitation to Schalkenbach Foundation President Dr. Nic Tideman to visit Seoul, a mission which he undertakes next month. It began with a phone call; that line must remain open...

And so we battle on, with opportunities now presenting themselves just about everywhere in the world. In our back yard, the British government has announced that the new Scottish Parliament (to be elected next May) must pass laws on "land reform". The Blair government does not appreciate that this lets the tax reform cat out of the bag. We are contributing to a strategy with our Scottish colleagues to focus attention on the fiscal side of change north of Hadrian's Wall.

I do not know when we can circulate our next newsletter to readers, so I must take this opportunity to thank everyone for the support extended to LPC in the past – and I assure you that the Centre for Land Policy Studies intends to render service in the cause of economic justice for a long time to come.

Letters to the editor



Brownlee's letter

R. D. Keal, Resource Rentals for Revenue Association, New Zealand

Mr. R. S. Brownlee's article in the Sept./Oct. issue of Progress is one of the most important to have appeared in your journal. His advocacy that any land value charge be rebateable against income tax is imperative! The charge must be alternative, not just an additional tax, and above all must be seen as such to the individual tax payer. Failure in this invites constant assault from vested interests.

Whilst George's genius was to reduce his major reform to the simplicity of a tax measure, his nemesis was also just that. But 100 years experience in Australia shows it to be vulnerable to every tax collector at every level every year.

Set-off or rebate now also avoids the issue and complexities of compensation. It is merely as valid a change in the tax regime as any other change, and just as valid as changing the rating system to or from L.V. to C.V. Moreover, the rebate or set-off must be against other tax payable, not just deductible for calculation purposes. This concession would soon enhance the economic rent charge in favour of the community and achieve the desired reincidence of revenue raising.

The provision should also apply to any other market resource rental, lease, license or other such charge for natural monopoly rights payable in favour of the community i.e.

- a Crown Lease let at tender or auction as prescribed in N.Z.'s Public Bodies Leases Act

- a resource rental or license for radio, TV, telecom, fishing rights, mining etc.

- land tax, and homeowner's land value rates

The provision too would assist the ultimate conversion from the flawed tax technique to a comprehensive leasehold arrangement, as the tax base steadily eroded and was eventually extinguished, and as it became necessary to establish the rights and responsibilities of both parties e.g. compliance with environmental constraints, and protection from maverick bureaucrats for the lessee. A formal lease is the norm in most such commercial arrangements and in this case ensures the collection of the full economic rent and also covers the disposition of improvements on voluntary relinquishment or forfeiture. (Ref. Public Bodies Act). George readily recognised alternatives to the technique that he used to explain his case when (at p. 21 on Moses) he "asked not veneration of the form but recognition of the spirit".

Rebate or set-off is the alchemy by which George's vision may be introduced now and progressively achieved.

Calling all ladies!

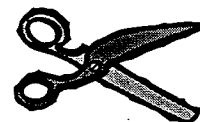
Dorothy Davies, Frankston

Are you finding that Progress satisfies your understanding of Site Value rating? Perhaps some of you would like further clarification on certain points. To this end, I suggest a women's section in the magazine.

Recent books from Britain

- "The Man Who Said No!" Malcolm Hill 146 pp. Biography of George
- "The Chaos Makers" Prof. Frederic Jones. Catastrophe theory
- "The coming 'Housing' Crash" Fred Harrison 108 pp
- "Stealing Our Land" Sir Kenneth Jupp (High Court judge) 146 pp. Lawful economics.

Brief items



Farmers to pay for rain

Ewan McBride, "National Interest"
No: 15

A announcement was made on Channel 7's Austext on March 22 that a Paris meeting of UN Members had agreed that Fresh Water was to become a "Commodity" – and this should be taken as a warning that fresh water supplies worldwide will be price controlled by speculators in the Futures Markets. That is the way the prices of money, oil, cotton, sugar, etc. are presently set and fresh water is set to join those commodities.

This is a warning to us because the global "money-movers" already have absolute control of the world's money, and with control of fresh water, they will control the level of agricultural production and prices (for their profit). More importantly, the money-movers can control the population of the world by their control of availability, and of the price of fresh water.

The evidence gathered, points to the "corporatisation" of all bulk water supplies and rainfall, preparatory to the: privatization" of all fresh water sources. Obviously the present increase in price fixing is designed to make privatization a commercial and lucrative proposition and the structure seems to terminate in the year 2002. So we can assume that privatization will take place then.

House prices soar by up to 16%

Tim Colebatch, *The Age Economics Editor*

Melbourne house prices rose 16% in the year to June, with a 4% rise in the June quarter alone, new figures show. The Australian Bureau of Statistics' latest estimates show an extraordinary surge in the price of established homes.

After 5 years in which the average price of a Melbourne home crept up

by just 14%, prices have taken off in the past 15 months, rising by 19%.

No other city was experiencing a price surge of that size. Average house prices in Sydney rose 11.5% in the year to June, in Adelaide 4%, Perth 3% and Brisbane 1.5%, while in Canberra, Hobart and Darwin, they actually declined.

Geoff Forster's comment: Land and houses not distinguished, but undoubtedly the land price factor predominates. Why the silence?

Poverty gap

From *The Age*, 10th September, 1998

The United Nations has called for urgent action to raise the living standards of the World's poor after revealing that a billion people have been left out of the consumption boom of the past two decades.

...the 225 richest people in the world have a combined wealth of more than \$1 trillion, equal to the annual income of the poorest 47 per cent of the Earth's population, some 2.5 billion people. The richest three people on the planet have assets that exceed the combined GDP of the 48 least developed countries, the 15 richest have more than the total GDP of sub-Saharan Africa and the 32 richest more than that of South Asia.

Comment: The foregoing is interesting, but is short on remedies. Georgists of course know that, without genuine land reform and radical revenue reform, such poverty will inevitably persist.

Hidden GST costs

Terry K Offord, Letter to *The Age*
15th June, 1998

On the proposed Goods and Services Tax, Treasurer Costello has not yet mentioned the compliance costs that are an integral part of this method of taxation. As an (ex) New Zealand businessman, I can assure everyone in business that collection of GST creates a minimum of 18% on costs to collect and administer. Thus the

proposal of a GST at 12.5% (as in NZ currently) means that an additional cost of 18% should be factored into the total equation. The question arises: who is to pay this hidden cost?

Economic principles

Max Hirsch (1st January, 1896)

It is gradually becoming clear to most thinking men, that the political battles of the present and the near future are being fought and will be fought on the field of economics. Social questions are everywhere attracting growing attention. The undue poverty of the masses and the unmerited wealth of the few are more clearly seen to arise from laws which interfere with the natural distribution of wealth, i.e.: "That distribution which gives wealth to those who make it, and secures wealth to those who save it." The same laws are also strongly suspected of reducing the amount of wealth which otherwise would be made. It is, therefore, of the utmost importance that the last results of Political Economy – of the science which deals with the production, distribution, and consumption of wealth – should be made accessible to the masses upon whose action future political developments depend.

Dubai

The Gulf State, Dubai, has no taxation. Government finances come from profits from the government-owned industries – Gulf Air and the oil industries. In our library there is a short booklet on Dubai by leading American Georgist, Robert Andelson.

Taxes lost

Mark Hassed, Letter to *News Weekly*
31st October, 1998

Your editorial (17.10.98) points out that foreign multinationals pay virtually no tax in Australia. Also, it has been announced that Kerry Packer will pay only \$30 income tax for 3 years in the early 90s.

As long as taxes are calculated on figures created on paper by accountants and tax lawyers then access to

expensive advice bestows the ability to not pay tax. This is galling to the average person struggling under the crushing burden of PAYE tax.

The current taxation system is fatally flawed and no amount of tinkering will fix it. The only alternative system that makes sense is a resource-based system. The council rates are a form of such taxation – cheap to administer and impossible to avoid.

If we were serious about taxation equity we would tax resources not people or production. Currently the wealthiest 5% of Australians control over 80% of Australia's natural resources, including nearly all the best commercial and industrial sites. That 5% of Australians pay next to no tax, as Mr. Packer has demonstrated, but get to charge the rest of us rentals for access to this nation's resources.

When will the average person wake up to the fact that they are carrying the taxation burden while wealthy individuals use our nation's resources without contributing in return?

Quotes of the month

"Whenever there are in any country uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate their natural right."
– Thomas Jefferson (1743-1826)

"The Law, in its majestic equality, forbids the rich, as well as the poor, to sleep under the bridges, to beg in the streets, and to steal bread."
– Anatole France

Individual and community

Henry Law

Taxation is the fiscal expression of the relationship between the individual and the community. Most modern governments raise their revenue by levies on the production and exchange of goods and services. We take this method of taxation for granted, but it is of relatively recent origin. Our taxes are widely regarded as unfair and bureaucratic, since they are, to all intents and purposes, a tariff of fines for engaging in legal economic activity; the dishonest simply avoid paying, whilst those who can

afford it employ professional experts to exploit the loopholes. Modern systems of taxation are damaging to the economy, forcing large numbers of people out of work, yet they are unable to bring in sufficient to pay for the services which people regard as part of civilised society.

An alternative form of taxation – land value taxation – would provide a practical means of applying the principles set out in the social teaching of the Catholic Church. It would alleviate many of the most persistent political, economic and environmental problems that afflict us.

"The losses of nations: Dead weight Politics versus Public Rent Dividends"

Fred Harrison Ed. 1998, Othila Press, London, 250 pp, £14.95 postpaid, or from the Schalkenbach Foundation, New York US\$15.00 postpaid.

Book Review By Phil Day

Scattered throughout this recent contribution to Georgist literature is a lot of useful information. Not, however, in a readily assimilable form. The first 27 pages seem promising. They are a preamble, author unstated, entitled "Need-to-Know Knowledge for Presidents & Prime Ministers". However, the expectant reader is confronted with a repetitious mix of unsubstantiated assertions, non-sequiturs and fragments of conventional Georgist philosophy unaccompanied by any summary explication of what the need-to-know knowledge really is. Readers, along with the presidents and prime ministers, must deduce it for themselves from the succeeding chapters.

Although not explicitly asserted, it becomes apparent that the "losses" to which the title refers are primarily losses in productive activity and potential growth. These are attributed to the fact that income taxes on human exertion tend to operate as a disincentive to work, or to work as hard as people might otherwise be prepared to work. One of the most persuasive positive arguments for land value (and other natural resources) taxation, however, is surely the need to safeguard our finite planetary resources against mindless growth.

Notwithstanding Nicolaus Tideman's exhaustive US economic tables and esoteric algebraic calculations, the really critical losses attributable to conventional taxation are surely the exorbitant compliance costs, the massive losses of revenue through evasion and the cash economy and the transnational erosion of the national tax base.

In this reviewer's opinion Georgist philosophy ultimately depends upon nothing more esoteric or theoretically complex than the simple truth that land – like air and water and minerals and air waves and the other resources which are usefully identified in Mason Gaffney's appended "Inventory of Rent-yielding Resources" – is fundamentally distinguishable from man-made commodities and services.

One wonders about the book's intended readership. No president or prime minister will ever have time to read it. Non-Georgists are unlikely to persevere with it. And, despairingly, proselytising committed Georgists seeking a credible, modern, incisively written call to arms are likely to relegate it to their bottom drawer.

Tax reform on the web

Tax Reform Australia Inc. is one of an international group of organisations. Visit these sites to see a new view of tax reform. Please publicise these sites to your friends!

Tax Reform Australia Inc.
(www.taxreform.com.au)

Our own site. Join TRA Inc., subscribe to Progress or buy a book, all on-line. There is a lot to read including much material not found elsewhere.

EarthSharing
(www.earthsharing.org.au)

A world movement dedicated to achieving economic justice for all the peoples of the world, and to reforming the way we treat our planetary resources.

The Banneker Centre for Economic Justice
(www.progress.org/banneker/) A classy, award-winning site. Possibly the biggest Georgist site on the web.

The Progress Report
(www.progress.org) Would you like free daily news on tax reform?

BEarthrights (www.geocities.com/RainForest/3046) The economics of freedom. Consider this... Without access to this planet and its produce you can neither eat, breathe, walk, sleep, work nor play. This site is dedicated to the freedom that is our spiritual and material birthright as beings born onto a planet created to sustain each and every form of life.

Henry George Institute
(www.www.henrygeorge.org) Offers a tuition-free course in economics that goes beyond "left & right" to shed light on today's baffling economic problems, plus in depth analysis of current social problems.

Henry George Foundation of America (www.smart.net/~hgeorge) Here is the proposal, widely endorsed and so far successful: shift as many taxes as possible off labour and onto

the locational value of land (land value taxation, or LVT for short). Tax (penalise) labour and we'll have less labour (more unemployment, higher prices, less income), but when land is taxed more, then it has to be used more efficiently; it surely doesn't shrink in supply!

Henry George Home page
(www.zip.com.au/~hgnsw) Geonomics is the Third Way between the opposed but erroneous philosophies of "capitalism" and "socialism". Geonomics preserves what is true and discards what is false in these opposing ideologies in an elegant and comprehensive synthesis.



Canadian Research Committee on Taxation (www.crctaxation.org/) The tax upon land values is the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community of that value which is the creation of the community. It is the application of the common property to common uses.

Cooperative Individualism
(www.geocities.com/Athens/Acropolis/5148) The School was established in January 1997 as a place where thoughtful persons would find meaningful – and sometimes new – insights into the long and tireless search for a socio-political philosophy that, if implemented, would nurture the development of just societies.

Common Ground U.S.A.
(www.progress.org/cg/index.htm) Dedicated to the principle that all

persons have equal and common rights in the earth and its resources and each individual has an exclusive right to the income from his or her own Labor and capital investment. Therefore, we are committed to reducing and replacing taxes on labour, capital, and wealth, and to using the value of land and other natural resources to pay for essential governmental services. We believe this to be essential to the attainment of liberty, justice, and economic opportunity for all.

Geolibertarian Home Page
(www.geolib.pair.com/) Geolibertarians distinguish ourselves from right-wing, "royal" libertarians by our profound respect for the principle that one has private property in the fruits of one's labour.

The Georgist Remedy
(www.multiline.com.au/~georgist/index.html) Working families would save between \$A 200,000 and \$A 400,000, by paying an annual levy on land value instead of taxes, during a working lifetime. See how.

The Citizens' Dividend
(www.progress.org/dividend/index.shtml) A totally different slant on the question of taxation.

Land Value Taxation Campaign
(www.landvaluetax.org) Your gateway to many aspects of land value taxation: LVT – the theory, its application in other countries, examples of its many benefits, and its effect on other issues such as poverty, housing, planning, transport and mobility, environment, national economics, international trade, etc.

An appeal
Please promote these sites to all your friends who are on the internet.

Progress and poverty



Better Education

As to the effects of education, it is evident that intelligence, which is or should be the aim of education, until it induces and enables the masses to discover and remove the cause of the unequal distribution of wealth, can only operate upon wages by increasing the effective power of labour. It has the same effect as increased skill or industry. And it can only raise the wages of the individual in so far as it renders him superior to others. When to read and write were rare accomplishments, a clerk commanded high respect and large wages, but now the ability to read and write has become so nearly universal as to give no advantage. The diffusion of intelligence, except as it may make men discontented with the state of things that condemns producers to a life of toil while non-producers loll in luxury, cannot tend to raise wages generally, or in any way improve the condition of the lowest class.

Greater industry and skill, greater prudence and a higher intelligence are, as a rule, found associated with a better material condition of the working-classes; but that this is effect, not cause, is shown by the relation of the facts. Wherever the material condition of the labouring classes has been improved, improvement in their personal qualities has followed, and wherever their material condition has been depressed, deterioration in these qualities has been the result.

The fact is that the qualities that raise man above the animal are superimposed on those he shares with the animal, and that it is only as he is relieved from the wants of his animal nature that his intellectual and moral nature can grow. Compel a man to drudgery for the necessities of animal existence, and he will lose the incentive to industry – the progenitor of skill – and will do only what he is forced to do. Make his condition such that it cannot be much worse, while there is little hope that anything he can do will make it much better, and he will cease to look beyond the day.

It is true that improvement in the material condition of a people or class

may not show immediately in mental and moral improvement. Increased wages may at first be taken out in idleness and dissipation. But they will ultimately bring increased industry, skill, intelligence and thrift. Comparisons between different countries; between different classes in the same country; between the same people at different periods; and between the same people when their conditions are changed by emigration, show as an invariable result that the personal qualities of which we are speaking appear as material conditions are improved, and disappear as material conditions are depressed. To make people industrious, prudent, skilful, and intelligent, they must be relieved from want. If you would have the slave show the virtues of the freeman, you must first make him free.

Combinations of Workmen

To raise wages in particular industries or occupations, which is all that any combination of workmen yet made has been equal to attempting, is manifestly a task the difficulty of which progressively increases. For the higher are wages of any particular kind raised above their normal level with other wages, the stronger are the tendencies to bring them back. All that trades unions can do in the way of raising wages, even when supporting each other, is comparatively little and that little moreover is confined to their own sphere. The only way wages could be raised to any extent by this method and with any permanence would be by a general combination which should include labourers of all kinds such as was aimed at by the Internationals. But this may be set down as practically impossible, for the difficulties of combination, great enough in the most highly paid and smallest trades, become greater and greater as we descend in the industrial scale.

In the struggle of endurance it must not be forgotten who the real parties are that are pitted against each other. It is not labour and capital. It is labourers on the one side and the owners of land on the other. If the contest were between labour and

capital, it would be on much more equal terms. For the power of capital to stand out is only some little greater than that of labour. Capital not only ceases to earn anything when not used, but it goes to waste – for in nearly all its forms it can be maintained only by constant reproduction. But land will not starve like labourers or go to waste like capital – its owners can wait. They may be inconvenienced, it is true, but what is inconvenience to them is destruction to capital and starvation to labour.

Besides these practical difficulties in the plan of forcing by endurance an increase of wages, there are in such methods inherent disadvantages that working-men should not blink. A strike, which is the only recourse that a trade union has for enforcing its demands, is a destructive contest – just such a contest as that to which an eccentric, called “The Money King,” once, in the early days of San Francisco, challenged a man who had taunted him with meanness, that they should go down to the wharf and alternately toss twenty-dollar pieces into the bay until one gave in. The struggle of endurance involved in a strike is really what it has often been compared with – a war; and, like all war, it lessens wealth. And the organization for it must, like the organization for war, be tyrannical. As even the man who would fight for freedom must, when he enters an army, give up his personal freedom and become a mere part in a great machine, so must it be with workmen who organize for a strike. These combinations are, therefore, necessarily destructive of the very things that workmen seek to gain through them – wealth and freedom.

Henry George (1839–1897) travelled the world lecturing on the cause of poverty and the solution.

Albert Einstein said of him: “One cannot imagine a more beautiful combination of intellectual keenness, artistic form, and fervent love of justice.”

This complete book, and other classics are available from the TRA office.

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TRA diary

2nd Thursday each month

Executive meeting. All welcome.

6.30 p.m., 31 Hardware Street

Correspondence course

Contact Anne Schmid via TRA office or on 9729 2379 (H).

Cost: \$25 includes course materials.

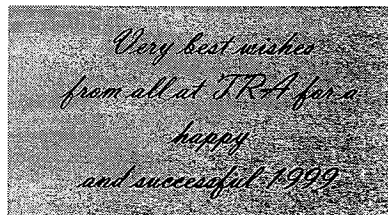
Oops!

In the last issue Tony O'Brien was listed as being from New South Wales. Tony actually lives in South Australia.

Welcome to new members

Shirley Hassed

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The 3rd way – a new economy

Knud Tholstrup

Knud Tholstrup (1904), started as a farmer. In 1936 at age 32, he became an entrepreneur. In 1941 he bought Kosan Gas Company. Later he founded Kosan a/s, of which he is still chairman. Kosan a/s is a conglomerate of 11 trading companies and factories with foreign affiliates and a fleet of 19 LP-gas tankers ploughing the seven seas, exporting to 100 countries.

Knud Tholstrup is keenly interested in national economy and social justice. During the past 60 years he has written countless articles about economics. Member of the Danish Parliament 1946-58 (Justice Party), Tholstrup is known as a relentless fighter against monopolies and a spokesman for unconditional free trade and real free enterprise.

The Danish experience & Third World socialism

Inflation and its faithful follower, high interest rates, are problems that beleaguer both industrial Denmark and the agricultural Third World. Interest on borrowed money has risen to the point where Third World nations cannot pay off their debts, endangering the money economies of all nations.

Brief statistical background of Denmark

In Denmark in 1957, inflation was 5% and bank interest on loans was 6¼% (both high rates for then). In the election of that year, the Labor Party (the largest Danish party), the Liberal Party and the Justice Party (the liberal free enterprise party) won enough seats in Parliament to form a coalition. Their program for reversing rising rates was to reduce income taxes and collect rent from all land (locations only, not buildings) at its full market value.

As a Member of Parliament (Justice Party), I promised inflation would be brought to a standstill and interest would fall. My words were greeted with laughter from my colleagues in Parliament. After a year however, in the expectation of coming land value taxation, land speculation stopped and land value stopped rising.

Inflation had fallen to less than 1% and

rate of interest to 5%.

Furthermore, unemployment was barely measurable; 100,000 people (and Denmark have a population of only 5 million) found a job within the next 3 years. The deficit in the balance of payments was turned into a surplus within one year and by 1960 the foreign debt had been reduced from 11.2 billion 1955 Danish Kroner (US\$1,300 million) to 2.8 billion 1955 Danish Kroner (US\$320 million) – a reduction of 75%!

Things were going so well, the economy was so healthy, that people forgot what had got them there.

In 1958 I resigned from Parliament due to pressing matters of own business. Though the general public did not understand the economic forces at work, the landowners did. They launched a campaign against the little Justice Party, the party that had led the legislative efforts to untax labor and capital and tax land.

In the 1960 election, the Justice Party failed to collect the minimum required for seating in Parliament. The tax reform law that had worked so well was repealed. Quickly inflation climbed back up to 5% and by 1964 was up to 8%. Land values skyrocketed from 17 billion Danish Kroner in 1960 to 320 billion Danish Kroner in 1981, a 19-fold increase while prices in general rose only 4-fold.

tion.

d) The competition about the savings is pressing the rate of interest up and this element in turn is a further impulse to raise prices.

Because the supply of land is fixed, especially good land and the demand for it usually increases as population grows, the price for land tends to rise. Receiving a higher return, owners and sellers of land are encouraged to withhold their sites from use, thus restricting supply and further driving up the cost of using land. Such speculation happens especially in booming periods when many want to build houses and factories.

As true with all others, the cost of location ends up in the production cost, meaning higher commodity prices. Higher prices are the external symptom of inflation. What we don't see is that inflation is actually greater than the final, total cost of a product. Were it not for technological progress increasing productivity and deflating costs a bit, the jump in prices would be even worse. Without inflation, techno-progress would lower prices for commodities and all consumers would benefit.

Why taxation backfires

Because prime sites for business are not used, some people cannot work and unemployment rises. To help the jobless, the government raises taxes on the producers. The cost of production rises and sales lag, so companies dismiss more workers and the vicious spiral worsens. Furthermore, surrendering a huge portion of the profits through a tax on income puts the brakes on initiative and human energy, thus reducing production.

In *Ekonomisk Debatt* (1977/8), Sweden's former minister of finance with the Social Democracy government, Gunnar Myrdal, the 1974 Nobel laureate in economics, made a remarkable admission:

"The Swedish tax system is too radical and there is much to be said in favor of reducing the progressive income tax considerably, not because I consider the total pressure of taxation too high, but because of the way in which the taxation takes place.

4 - Progress bonus insert

In spite of the progressivity, the result is that people within all income groups must pay, because the rich are so very few.

For an old welfare politician, it is depressing to think of the unhappy consequences of our income taxation and especially the bad effects of the high marginal rates of taxation.

Swedish honesty and my own pride suffer because my generation made such bad laws they have made the Swedes into a people of small cheats.

To this may be added that this tax system requires a huge bureaucracy."

Was it Lincoln who said that you cannot make the poor rich by making the rich poor?

Socialism compounds the problem

Russia is one of the richest countries by nature, endowed with vast amounts of ore, minerals, coal, oil and natural gas. With one meter of topsoil, her province...?

The Ukraine in the time of the Tsar had a big wheat export and was called Europe's granary. Today, regarding bread, Russia is not self-supporting.

Finland was the poorest province of Russia up to its independence in 1917 – without any raw materials and most of the country covered by snow for 6 months. Today the Russians are relatively poor and must queue up at the shops and the Finns rich, with a standard of living 2-3 times as high as in Russia.

The reason for the difference is the stimulus to work in Finland thanks to free enterprise. Scandinavia experienced much material progress up to the beginning of the 1970s. We must admit that egoism production wise is stronger than altruism.

The third world

The President of Tanzania, Nyerere, tried a well intended mix of pure socialism and Scandinavian socialism – which combines private enterprise, to raise the money for social distribution and the Welfare State. In 1968 I visited Tanzania and found a fair amount of prosperity. The houses in the towns looked

nice and had been recently painted, but by 1972 when I revisited Tanzania, everything seemed so poor. Paint was peeling off the dilapidated houses and the people were poorly dressed. Why the sudden downturn? In the meantime the State had taken over people's property and their responsibility; consequently, nobody cared.

The poverty increased year by year. Only in the school sector did some progress take place. Finally in 1985, when Nyerere resigned, did he admit that the socialistic experiment had proved to be a failure. Nyerere said:

"We are a poor people and we chose socialism, but socialism is a luxury and only for the rich. Socialism maintains or creates poverty and stagnation. It cannot be carried by a community already poor and underdeveloped."

Nyerere's assertion that socialism is for the rich is doubtful. Scandinavian socialism is pretty far along in ruining Scandinavia too. In Sweden, the marginal income tax is up to 85%; in Denmark 78%. Denmark in 1985 had a huge burden of interest and repayment to foreign banks to struggle with. We have lost so much of our competitive power that our unemployment is 8-9%. In the wake of unemployment, violence and other criminality has spun out of control, too. In Holland even worse.

In Switzerland one of the 4 rich European countries development is opposite. The Swiss never dream of socialism. Switzerland has less than half as many engaged in civil services as the other 3 rich countries in Europe. Real wages is world's highest. Highest income tax is 30% - low inflation - low rate of interest - less than 1% unemployment and no foreign debt.

Inflation doubles the rate of interest on bank loans, so the deeper in debt a country is, the harder it is hit by inflation. Denmark is hindered but gets by. The economies of Third World countries, incipient and fragile as they are, are terribly crippled by inflation and its attendant high rate of interest.

Partly because socialism is an inherently inflationary system, nowhere on earth has it fulfilled people's expectations, despite the beauty of the ideology. On the contrary, people have often lost their personal freedom as well. History is replete with examples of desperate

people throwing off the yoke of oppression and adopting a radical change, hoping for more freedom and prosperity, only to end up with new rulers who, having won popular support, abuse the positive ideology and fail to fulfil the golden promises.

Estate owner government turned into state controlled administration. The powerful bureaucracy ate up most of the progress while the people obtained the least. In some cases, their conditions even worsened.

What to do

Rich capitalists and large estate owners have given free enterprise a bad reputation, but conditions for both liberty and security lie in free enterprise. Enterprise must be freed from all forms of monopoly and the most egregious form is land monopoly. Young Winston Churchill called it "the mother of all monopoly."

Land monopoly can be eradicated without landowners losing their right of disposal - their right to use, sell, or testate a site. All the government need do is charge and collect the rent from a site, determined in the market by the possible uses of the site.

We cannot prevent land from increasing in value, but we can prevent this increase from hampering our economy. By taking this community created unearned income out of private pockets and putting it into the public treasury, we can:

1. End taxes
2. Lower rents
3. End inflation
4. Lower unemployment

We can end taxes because rent is enough to fund government; no tax would be needed. Rent is lowered because withholding becomes cost prohibitive; so more good sites will be put on the market and competition will drive their cost down. Inflation is ended because the value of land returns to those who created the value in the first place - the public. Thus production and purchasing power are put in balance. Unemployment is lowered because production and consumption are increased. Furthermore, with sufficient funds, government would not need to borrow money to build public utilities.

Deprived of this business with spendthrift governments, banks would have to lower their interest to attract ordinary customers.

Solution's moral basis

A better understanding of the conception of property is necessary. We must learn to distinguish between what rightfully belongs to the individual and what belongs to the community.

A precondition for respecting private ownership of produce is the respect for society's right to the proceeds of the community created land value.

Most wealth – products, houses, and factories – is created by human effort and so must inviolably belong to the individual and should not be taxed away by the community. Some wealth – capital improvements to land (roads, sewers, etc) – is created by the community, yet increases land value. Land itself and the features that give certain sites value – view, soil, harbor, resource – are not created by, nor for any particular individual, yet provide the basis for establishing a community. Therefore, all land value is owed to (and public utilities belong to) society and should not be retained by the individual.

Paying rent would be paying a fee for the services provided by the government – roads, police, etc – and a compensation from the claimant of the piece of earth to everyone else excluded from it. Paying rent upon full market value would be the fair annual amount for a site. Because we have it in our power to halt inflation and unemployment and prevent any further damage, it is absurd that we don't. We are negligent in that we don't collect ground rent and abolish all taxes.

If collected, rising land value would benefit all people instead of only the few who benefit today at the expense of others. No taxes and greater access to land will encourage initiative and determination; the cleverest people will take advantage of most of the possibilities so the total production will grow – the horse of egoism would be hitched to the carriage of progress. More goods and services will benefit everybody.

Because of the rapid development in

rationalism, research and technology during the last 20 – 30 years, finding a way to fairly share this new bounty is an imperative today. The program of pooling all land value – driven up by progress – then sharing it among all citizens is the fairest, most efficient way of making modern advances benefit everybody.

How to implement the solution

We are all joint owners of the land, but we can't all occupy each other's site. Paying rent to the community according to the value of one's site equalizes everyone's advantages in claiming sites. What is the best way for the community to rent all the land to its members? In switching from the present system of taxing land, labor and capital to renting all and only land, we need not move too fast, faster than people can keep up with. One way but difficult to practice is to freeze all taxes, then reduce all taxes except for the tax on land by one 1/10th over a 10-year period. Meanwhile, gradually raise the tax on all land.

In the end, when a tax on land is the only source of public revenue, it will be more accurate to say that the community rents all land because tax and rent differ in crucial ways. Tax arises when rulers want money; rent arises when people use more than two grades of land. Tax is limited by only how much the state can squeeze from the citizenry; rent is limited by the value of land in the market (according to Ricardo's Law of Rent). Tax falls on property, the fruits of one's production; rent comes from "trusterty", the part of Nature one claims. Taxing private individuals hinders production; the public renting to its members enhances production.

Whether renting or taxing land, its value must be assessed. The market does a good job of determining the value of locations in the aggregate, but there may still be certain sites that are rented too high or low, conferring an unfair penalty or reward to various citizens. This may be especially so during the beginning period or relying on land value taxation. Therefore, the government would have to assess the full market value of all sites.

All assessments would be based upon the actual selling price of land. Land has widely

ranging values from low on sandy soil on the verge of cultivation, upon which no duty can be placed, too high on busy intersections in the centre of shopping districts. The size of the annual duty is determined by the difference in value of a site compared to the poorest one in use – the margin.

Because it's possible to misjudge land's value and because its lasting value is usually increased not by Nature but by human effort – fertilizing, rock clearing, terracing, draining or irrigating – and because the margin should be free (especially to self-reliant farmers) it would be a good idea to allow room for error and permit users to deduct from the value of their sites the first \$2,500 per hectare (\$1,000 per acre). To be certain the assessment is fair, it could be implemented over a 10-15 year period, so that running adjustments could take place.

Procedure Schematic

First year:

1. Assess all land at market value per hectare (or square metre).
2. Impose on all land a duty of 4% of the actual value after the deduction of say \$2,500/ha. (\$1,000/acre).
3. Register this total after deduction as a permanent fixed annual duty.
4. Use the total yield for immediate reduction of personal income tax on a per capita basis.

Second year:

5. Assess all land on the basis of the actual market value influenced by the burden of the fixed duty and taking the future annual duties into consideration.
6. Impose the new assessment with a further fixed duty of 2%.
7. Register the new fixed duty on top of the previously registered duty as a new fixed duty, totalling 4% of old plus 2% of new.
8. Use the total yield for further reducing income tax.

Third year and further years:

9. Continue the whole process – the same as the second year – with a different 2% value each year after.
10. Use the total yield for reducing all other taxes, too.

To ensure for mistakes, any landowner can have the new assessment revised at any time on request.

Added benefits

Were we to implement this program, we would not only cure inflation and unemployment and taxation, we would also solve some problems from skewed land value.

1. The market value of farmland where subjected to speculation would fall rapidly.
2. The value of most locations would stabilize because the tax burden is moved from human improvement to natural potential.
3. Development where already intensive, especially where land changes from cultivation to construction, would continue to increase but moderately.
4. Farmers, whose work is hard, will especially benefit from going from a tax on energy and skill that hampers initiative to a duty on natural advantage that encourages business.

More clever and industrious workers could produce more from any site but much more from prime sites, so they would probably outbid others and use the most advantageous site. Access to the best sites would be a great encouragement to these workers. Their output would be a great boon to the rest of society.

Japanese tenants benefited

This benefit is borne out by the experience of Japanese farmers after World War II. Before the War, landowners who mostly lived in towns, collected 2/3 of the yield from their tenants who for their hard work were left with only 1/3. After paying the costs of seed grain and interest, etc. the farmer might get only the last 1/6 of the crop for supporting his family. They lived in utmost poverty until the rule of the occupying American military.

General Douglas MacArthur can be accredited with the democratization of Japan; this admirer of Henry George gave the defeated nation a new constitution which is still valid today. He also reformed rent distribution by reversing the landlords' and tenants' portions, so the farmer got twice as much gross and presumably three times as much net as before. In the course of a very short time, Japan became self-sufficient in rice which was previously supplemented with imports. Also, the tenant could afford a better education for his children.

A similar success story took place in Taiwan, thanks to the influence of Sun Yat-Sen, who was also an adherent of George. A recent study by the World Bank gives land reform the credit for these two nations moving from near feudalism to modern industrialization. Land reform of the Georgist variety could work anywhere – Tanzania and Strife-torn Latin America included.

Conclusion

The whole world today struggling with drastic economic problems. We cannot go on with the present situation of inflation raising the cost of production, increasing the number of unemployed, upping the interest on bank loans and expanding the need to borrow and sink deeper into debt. The vicious spiral grows more vicious every year.

High rate of interest creates unemployment

In my younger days when the bank rate was 5%, a 10% profit was a good business. When interest rose to 10% it was difficult to get a reasonable profit. When bank rates rose further, many had to close down, jobs were lost and very few found it worth while to start up and no new jobs were created.

Rate of interest & world crisis

Up to the 1940s inflation and the rate of interest was not a severe problem, but after World War II, the development has been so rapid that demands for building land of which no more is produced, created a land price explosion and thus an enormous surplus of

unearned purchasing power to the benefit of few.

This again has caused high inflation and a high rate of interest to the disadvantage of many. It has become an absolute necessity to stop inflation and its true follower – a high rate of interest.

The latter is not only threatening companies and especially poor countries with bankruptcy, but also some of the world's biggest and strongest banks have been severely shaken by their big losses on credits the last few years. The whole civilization is threatened.

The whole world is at a fork in the road. We must choose between traditional ideologies that do not work and an innovative system that has brought prosperity before and can do so again. We must strike at the root of the problem – private retention of publicly created land value. Liquidating land monopoly would reward initiative and promote production, making the cake bigger for sharing with all, so no one need suffer.

Liberty with prosperity is the only reform worth struggling for. The key is to free people's productive powers of all irksome fetters and to share the natural advantages in God given land. Thus we would all be free to work and live in a just world. Justice in economy improves morality.