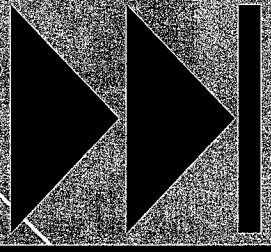


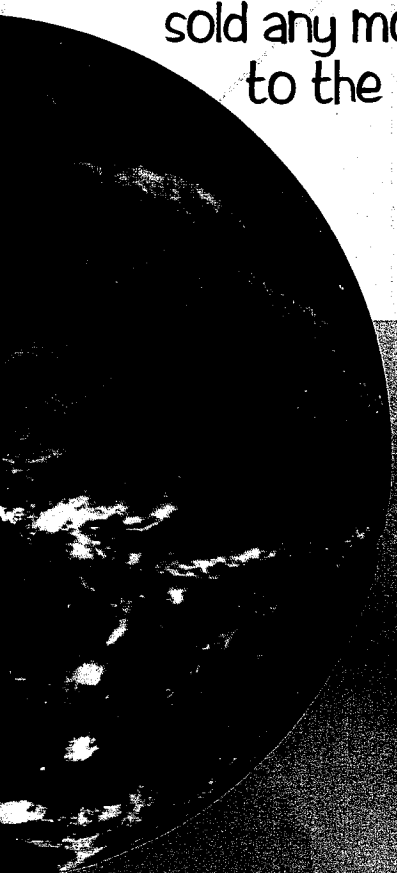
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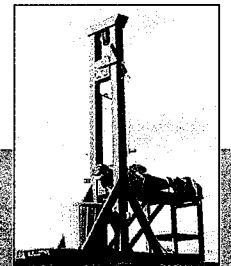
"The earth cannot be anyone's property; it cannot be bought and sold any more than water, air or sunshine. All have equal rights to the advantages it gives to man." -Leo Tolstoy



PUSSY ON MY TAIL 2



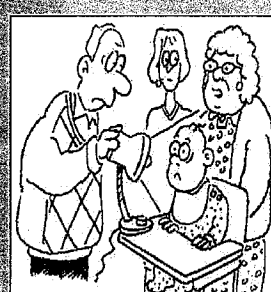
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A PUSSY ON MY TAIL

After you first lay eyes on her, she follows you everywhere.

I was in Capetown, South Africa, and was being shown the insoluble problem of squatter settlements. With more than a million squatters already living in squalor there, the authorities face the problem that, if needed services were provided to these camps, the result will be to accelerate the influx of new squatters and thus worsen the problem.



Out of the corner of my eye, I caught sight of her tail protruding from under a sheet of rusted corrugated iron. It was the cat, and I then knew the geoist solution to this mess. To have “seen the cat”, as we say – to have joined the club of those who have experienced the geoist insight into economic problems – is to possess the key to understanding so many insoluble economic, social and environmental problems all over the planet.

When in Morocco, I came to realise that all the smiles and *bon-jours* from the women there were only because I was their passport out of the place. The curse of unemployment had led to poverty and desperation, and there was just no hope for the majority of Moroccans, who dreamed of escaping to Europe and getting a job, however wretched. From behind the forced smile of the woman in the café, a fluffy cat’s tale briefly appeared, and I knew that – when the economy is turned the right way up – all

the things that need doing can come together with all those idle hands and mutually satisfy each other. Involuntary unemployment is plain unnecessary.

In the Baltic States, the official economic indicators show that the people have never had it so good. With E.U. money pouring in, wages are taking off as quickly as they did when E.U. money poured into Ireland. Yet, just like in Ireland, I met young people everywhere who were despairing because property price rises were outstripping the “benefits” of E.U. spending. And my Inner Pussy whispered to me never to forget the monopoly power of land, and how it will soak up all of society’s wealth and energy if we allow the rent of land to fall into private hands.

In the Philippines, my little feline friend was never off my lap, as the obscene disparities of wealth are in your face wherever you go. Henry George wrote *Progress and Poverty* in 1879 and explained the widening wealth gap, yet we now find that the advent of neoclassical economics has concealed the causes of the mess we call our economic system and its huge injustices.

Pussy is very demanding, I’ll have you know – she always makes me take notes while on the road. So, over the next 4 issues, I’ll share my experiences in these 4 corners of the world from a geoist perspective.



From past traumatic experiences of returning home, I’ve learnt to approach my editor’s office with trepidation, and things weren’t looking real good this time when walking up the hallway. The light shade was smashed, the coat stand was knocked over, and the walls were covered with tell-tale marks –

someone had been kicking the footy in the hallway again!

It took me quite some time to summon the courage to turn the doorknob and open the door, and I let in a sharp intake of breath. My editor’s office looked like a Chinese brothel after the American Navy had been through it, such was the mess. But over there on my keyboard lay the evidence as to the perpetrator of this violation. I waded through the tissues, Twisties wrappers and apple cores to the keyboard and examined the fingerprints made in thick, smeared layers of Tim Tam chocolate.

Anne Schmid, you’re a shocker!

A few months ago I got to email one Tony Payne, a new subscriber but an old geoist. Tony’s a Brit who’s been living the last 40 or so years in Asia, and has now settled back in Manila. As I was going to swing by the Philippines, we arranged to meet for lunch. I walked from my fleapit of a dormitory (my dorm mates were 3 “Boy-Girls” – young male prostitutes) to maybe the flashiest hotel in town, where Tone shouted me a huge feast. We met at 11.45 a.m. and didn’t stop talking until 6.30 p.m., engrossed in Tony’s grand project. This is nothing less than a book which puts geoism in the middle of the search for the ultimate system for maximising human happiness and satisfaction – Tony calls it “Happyocracy”.

Fascinating stuff, let me tell you, and I hope to present you snippets of this over the next few issues – I may even lure Tone to Oz on a promotional book tour of some sort. The other new contributor will be Dave Wetzel with whom I final chatted in Madrid, and whose prolific output of geoist gems – large and small – is an editor’s dream. Drop into Dave’s Land Café to chat to him and the gang yourself – see World Geoist News for details. ■

Quotes of note

"Natural rent must be a part of public revenue – what they don't earn but rather what they simply receive from the nation, from nature."

Mikhail Gorbachev

ooOOoo

"Land value tax is the one tax to which the Laffer Curve does not apply."

Arthur Laffer

ooOOoo

"The power to tax is the power to destroy."

John Marshall, (1755-1835) American Jurist, Statesman

ooOOoo

"If it's not hurting, it's not working."

John Major (1943-) (defending high interest rates when chancellor)

ooOOoo

"Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary."

Martin Luther King, (1929 – 1968), civil rights leader and Nobel Peace Prize laureate

ooOOoo

"Conservatives are not necessarily stupid, but most stupid people are conservatives."

John Stuart Mill, (1806 – 1873) English philosopher and social reformer

ooOOoo

"Our society can put a man on the moon but is unable to put a man in a house."

(Anon)

ooOOoo

"That the public collection of land rent is the only just and logical source of public revenue cannot be denied. No economist has ever succeeded in refuting the fact that Land Value is People Value."

J.S. Thomas

NEOCLASSICAL ECONOMICS CAN PROUDLY PROCLAIM

**NEVER HAVE SO FEW
TAKEN SO MUCH
FROM SO MANY
FOR SO LONG**



HEY, DUDE – WHERE'S MY PLANET?

WHAT HAPPENED TO MY BIRTHRIGHT, THE COMMONS?

WHERE'S MY SHARE OF THE GIFTS OF NATURE?

WHY AM I A DISINHERITED ORPHAN, HAVING TO PAY SOMEONE ELSE TO PARK ON THIS PLANET?

IF THERE REALLY IS A GLOBAL COMMONS, WHERE IS IT?

WHY IS THE ECONOMIC BATTLE EXPRESSED AS CAPITAL vs. LABOUR, IGNORING LAND AND OTHER NATURAL RESOURCES?

WHY AM I FINED EVERY PAY-DAY BY HAVING TAX WITHHELD, JUST FOR DOING HONEST WORK?

SHOULDN'T WE BE TAXING VICES, NOT VIRTUES?

HOW CAN ANYBODY CLAIM TO OWN LAND – SOMETHING THAT NOBODY PRODUCED?

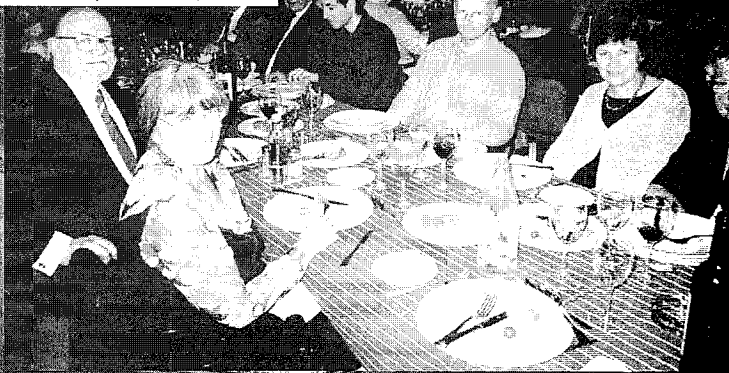
HOW CAN SOMEONE JUST HOLD UP A PIECE OF PAPER OR PARCHMENT, CLAIMING THAT THIS GIVES THEM THE RIGHT TO CHARGE OTHERS RENT?

AND THEY CLAIM TO OWN "THEIR" LAND *IN PERPETUITY*?!!!

AND WHY CAN LANDOWNERS JUST GET RICH "IN THEIR SLEEP" WHEN THEIR LAND APPRECIATES?

IF WE NOW HAVE LANDLORDS AND SOON WILL HAVE WATERLORDS, WHEN WILL WE HAVE AIRLORDS?

FROM OUR CORRESPONDENT IN MADRID



AT THE INTERNATIONAL GEORGIST UNION CONFERENCE

by your Mr. Ed.

If speakers at the podium can start their talk with a totally irrelevant anecdote for the sake of a cheap laugh, I can start my article with one. But it's a bewdy, of a beautifully-choreographed scam.

You see, my brief stay in Madrid surprisingly abounded with tales from colleagues at the conference who'd fallen foul of pickpockets and snatch-&-run thieves. But my elderly English room-mate, Timothy Glazier (a regular contributor to Progress), had an exceptional experience worth relating.

We might reach the stage where we ... accept that a person only acquires a home through inheritance or not at all

In a quiet side street, Tim is approached by a stranger who wants assistance with a map as a pretext to start talking to Tim. Suddenly two well-dressed men step up to them and flash their police badges, ex-

plaining to Tim that the stranger is a well-known drug dealer. Therefore both suspects need to clear themselves of suspicion of intending to deal in drugs. So the stranger (who's actually in on this with the bogus policemen) willingly shows that he has little or no money in his wallet, and Tim follows suit.

"But what about this credit card?" – Tim is now suspected of carrying a stolen credit card! So one of the guys takes the card and says he'll check the validity of the card with the credit card agency, and gives the card details to someone on the other end of his mobile phone. Then, delivered in a perfunctory manner, comes the final query, "And the PIN number?"

And Tim told him! But he realised minutes afterwards that it was all a set-up and that there was probably some crim on the other end of the phone who'd had started to order plasma-screen TVs or the like, so he managed to immediately cancel his card before the orders went through.

While the 24th conference of the International Union for Land Value Taxa-

tion (May 27-30) wasn't itself packed with such drama-rama, there was a feast of food for thought. Fernando Gerstein had, in this his home town, done great work in organising this conference. Naturally,

Meanwhile, due largely to tax exemptions and allowable deductions, there are 700,000 empty homes in Britain

I can only here give you what were, to me, the highlights.

In the session "Land Speculation and Political Corruption", Canadian Frank Peddle made a number of powerful points about the study of economics today, hijacked as it has been by neoclassical economics. Frank explained how economic authorities today, such as Drucker, claim that land is irrelevant. And not only does such economic theory and discussion include no definition of speculation, but there's not even a clear definition of income which discriminates between decent income and that sourced from economic rent.

In the same session, Jeff “Mr. Geonomics” Smith related how US President Lincoln levied a form of

Politicians, with no economic solution, now accept unaffordability as a given fact

land tax to pay for the civil war, though it was largely kept by the tax collectors. Talking etymology, Jeff explained how “own” and “owe” used to be almost synonymous – one **owed** rent based on the land one **owned**.

And how come, Jeff mused, scalping football tickets is illegal, but scalping land isn't?!!!

In a session entitled “*The Housing Crisis*”, Tatiana Roskoshnaya related the dismal situation in her native Moscow where IMF-sponsored neoclassical economics has produced colossal disparities in wealth with a real crisis in home affordability. At least the old communist system used to take some responsibility to ensure adequate housing, but today's under-resourced decentralised authorities are helpless against the new system.

Scot Peter Gibb produced some solid data to prove his point about the British situation. For instance, in 1970 the median home cost 3.7 times the average wage, but in 2000 it was 6.8 times and since then has continued to rapidly escalate. Respected commentators like George Monbiot use the term “intergenerational equity” to describe this little-publicised but crucial phenomenon. We might reach the stage where we have intergenerational mortgages (as they now have in Japan), or where we accept that a person only acquires a home through inheritance or not at all. Meanwhile, due largely to tax exemptions and allowable deductions, there are 700,000 empty homes in Britain.

Fernando Scornik presented a similar story for Spain, which has its own housing crisis and is physically empty but legally full. In the last 20 years, wages have risen by 300% but home prices have jumped by 600%. Politicians, with no eco-

nomical solution, now accept unaffordability as a given fact. Once hopes were pinned on government-funded cheap houses, but they were soon resold at a profit and this was said to “overheat” the system.

It's all arse-about, said Fernando (well, he didn't exactly use those words). What we should have is a place to live at the **start** of our working life whereas, at present, we'll hopefully just be lucky enough to get one before we drop dead from the effort.

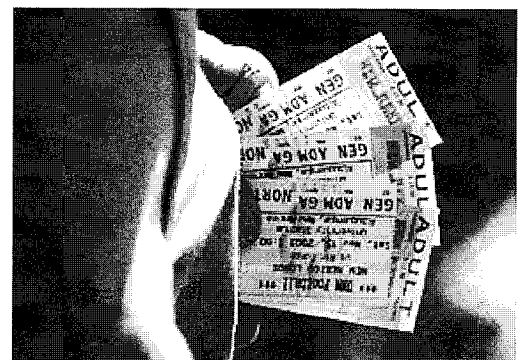
“*The Transition to a Market Economy – The Russian and Chinese Cases and the Process in Other Countries*” was another cracker of a session. More was said about the rampant rent-seeking in Russia – for example, last year Moscow itself improved its GDP by 18%, but this was entirely diverted into property prices.

Fernando returned to share his personal experiences in China, and made the provocative point that the Tianamen Square massacre ultimately saved China from sharing the same fate as Russia, as the overthrow of the Chinese Communist Party would have led to Western “experts” stepping in to reform China in the way it suited the big-time rent-seekers. While Chinese leaders have virtually admitted they don't know what is economic rent, they are sure that land should basically remain in the hands of the state. This is the primary reason for the continued and extraordinary growth in China, although it is certainly not being reported in the West.

The current Western concept of “property rights” does not include land in China – instead people have the right to *lease* land. While the lease payments mightn't be assessed as regularly and accurately as geoists would want, at least the Chinese authorities are very clear that land cannot be sold. And, in contrast to the secrecy (and high degree of corruption) of Russia, the issue of certificates granting “land use rights” in China is fairly open and efficient.

The charming Ana Martin Uriz presented “*Historical Briefing of the Georgist Movement in Spain*”. Trivia flash: *Progress & Poverty* was published by the Spanish Ministry of Agriculture in the movement's heyday in the early 20th century. When the very first I.U. conference was held in 1913 at Ronda, Spain, there was a huge Spanish Georgist following. Posters widely proclaimed LAND UNUSED AND UNMANNED DOESN'T WORK and FREE LAND – FREE MEN. What really killed the movement were killings! – assassinations by big landowning interests in 1912 then Franco's purgings and exiles at the end of the civil war in the late 1930s.

Someone of whom we're going to hear lots more is the English dynamo Dave Wetzel, the vice-chair of Transport for London. His subject was what he called “LVT on wheels” – “*The Success of the London Congestion Charge and How It Relates to Land Value Taxation*”. Although this bold initiative had to face a barrage of media criticism, the congestion charge has been an unequivocal success by any measure, and Dave builds on this to push in every direction for further geoist



And how come, Jeff mused, scalping football tickets is illegal, but scalping land isn't?!!!

reforms.

And there is still so much to be done – London, for instance, charges no rates at all on properties whose buildings are not being used! The astronomical prices for real estate continue to soar way beyond the means of ordinary wage earners. This economic system, asserted



What we should have is a place to live at the start of our working life whereas, at present, we'll hopefully just be lucky enough to get one before we drop dead from the effort

Dave, is a great gamble – but the problem is that most people are denied the chance to buy a lottery ticket.

Dave's presentations were powerful and absorbing and, off stage, he's a really likeable guy. *Progress* will, in future, feature more and more of Dave's energy and insights.

Do you know the meaning of the word *iatrogenic*? It refers to diseases caused by the very medical treatment or examination that is meant to heal the unfortunate patient. Well, American Fred Foldvary coined an excellent term for the modern, self-defeating, financial

This economic system is a great gamble – but the problem is that most people are denied the chance to buy a lottery ticket

system under which we live - IATROGENIC ECONOMICS!

"*Land Value Taxation and International Organisations (UN, World Bank & IMF)*" featured some passionate and powerful condemnations by our globetrotting geoist, Alanna Hartzok, whose addresses never fail to deliver. She compared the alarming situation with another enclosure of the Global Commons – seed patent rights – to the end of a game of Monopoly (which is what Monsanto and fellow corporate crooks love to play), where just a few players have all the pieces.

However I did appreciate a cautionary word from the chair, Fernando Gerstein, in relation to the much-

lauded passages from ex-chief economist of the World Bank, Joseph Stiglitz. Fernando said that the few selective passages in our favour from Stiglitz only show a limited understanding of geoist reforms, and any knowing geoist would stand out much more obviously than Stiglitz.

The conference packed much more into its 4 days and, as always, it was the eager networking out-of-session that was particularly valuable. Fernando Gerstein is to be commended for his organisational work as well as for attracting so many Georgists from Latin America. For this there was a simultaneous translation service during the entire conference which was ably handled by a professional translator who took up this job knowing nothing about geoism. By the end of the conference he had become a paid up member of the International Union!

Applied at a high enough rate, LVT will even out the property cycle and avoid these booms and slumps. (A bit like the suspension on a car)

- Dave Wetzel



WHAT YOU CAN DO

For enquirers:

READ geoist literature. The 3 information kits (available from our office, for no charge) will explain the basics. We have a bookshop and, for members, a library. Perhaps the most readable and accessible of Henry George's works is *Social Problems* – you won't be disappointed!

QUESTION what you read! Contact any of the execs listed on the contact page (by phone or email) and state any doubts or difficulties in understanding. Hey, geoism is a major paradigm shift in understanding how the world goes round – almost everyone struggles with it in the early stages.

STUDY online – go to www.henrygeorge.org and choose from a range of courses. It's a standard correspondence-course format with each enrolled student being assigned an individual instructor, with whom he or she corresponds throughout the course and, usually, through further courses in the program.

For those further along the road – both of the above, plus:

ATTEND some of our meetings, both social and serious. Our monthly executive meetings are open for all to attend. Meeting in the flesh enables your questions to be much better answered.

DISSEMINATE the good word. Mention to friends and family who appear interested that ProZ Oz offer a complimentary trial subscription to *Progress*, and inform the office of their postal addresses.

For Cat-Seers – all of the above, plus:

SUGGEST how we can carry the movement forward. We know (or think we know) how to solve countless planetary problems. but we're amateurs in actually getting the message out there.

NETWORK with other organisations, and put them in touch with us.

VOLUNTEER your skills and energy. There are endless ways you can help us and, along the way, get to know our organisation better. For instance, the office always needs filing, I.T. skills (any website designers out there?), bookkeeping, reception work and just about anything you can offer. Members for 2+ years are welcome to join our executive.

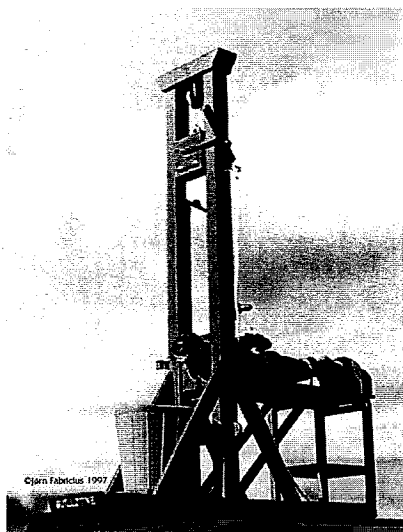
THE PROPERTY REVOLUTION



Ed: Remember our Street Party whistle-blower, Tim O'Dwyer? Well, his colleague Neil "Don't Sign Anything" Jenman (pictured) has been running some

great advertisements. We like your real estate exposés so much, Neil, that we'll reprint your paid advertisement for free.

On a cold wet January morning more than 200 years ago, Louis XVI had his head chopped off. Poor Louis, by all accounts he wasn't such a bad bloke. But, as he faced the axe that day, he must have wondered what went wrong. From King of France, surrounded by luxury, to the chopping block.



Today's property investors are a little like King Louis -there's a revolution coming and most of them can't see it. As more and more investors have leapt into the property market lured by the promise of big profits for little or no effort, a large section of the community has been hurt. First homebuyers have been elbowed aside by investors. Today, the average wage earner cannot afford the loan repayment on the average home. For years, we have been bombarded with how easy it is to invest in property, how we can make money easily - and, the most

brazen boast of all, "Let the taxman pay for your investment property."

But the "taxman" is the community. And the community are the millions of battlers working hard, paying taxes on their meagre wages, struggling to buy a home, whilst being trampled by tax savvy investors. Nowhere in the world does the property tax system favour investors like it does in Australia. So is it any surprise that the Productivity Commission is saying that our country's overly-generous tax breaks should be reviewed?

Home ownership is something all hard-working Australians should be entitled to achieve. But this national dream has become a nightmare for millions of people -either they can't afford a home or, if they do buy, they struggle making enormous payments. Despite the denials coming out of Canberra (from both parties) that the sacred cow of property investors, negative gearing, will not be reviewed - well, that's as believable as the claims of the typical property spruiker.

The sacred cow is facing the guillotine, at least for those big time investors who are chortling about how much property they own. When thinking about the new and upcoming property taxes, we should think about what happened to King Louis who believed it was his right to live in luxury with nary a thought for the less privileged. Or perhaps we might consider the words of Australian author Leonie Sandercock, who, in her book, *The Land Racket*, published in 1979, said, "What right does any individual have to reap huge profits from increases in land values which come about because of the general population growth and increase in city size? 'What right do I have to such a profit? What have I actually contributed to earn it?'"

Confronting questions. As Gandhi once said, "Wealth without work is the first deadly sin." Soon, it will be time to share more of that wealth. The properly revolution is coming.

GIGGLES & GROANS

Ed: Had enough of TV home auction programs which gloat over how much the owners have cleaned up on the "healthy" property market? Now we seem to have a culture of "Big Hair Houses" (and all the mindless consumerism that goes with it). If you're as disgusted with this as I am, then you're going to just love this Melbourne Age TV guide review on August 12 by Fergus Shield.

LOCATION LOCATION'S AMAZING HOMES

Channel Nine, 7 p.m. Sundays

More real-estate porn for the valium-headed. Deborah Hutton and Peter Everett straddle millionaires' row, pull up close and thrust 'til they're spend. It is a dance of orgasmic inanity. An unadulterated rush of bland sexual displacement. To the descriptively challenged and chronically undiscerning Hutton and Everett, even the ghastliest architectural excess is arousing, tantalising and bewitching. They are tender-smiled handmaidens of gluttony, dealing fixes of vicarious pleasure to the sad-dreamed legions when, truthfully, there can be Sweet F A exhilaration in splurging millions so that you can park you painstakingly-louffahed arse in a sauna with a panoramic view. Be really naughty and give to the Sudan, why don't you? The wild throb of humanity is certain to turn you on immeasurably more than slowly undressing an imported black granite bench, feeling the charge of an alabaster light fitting or going down on a scalloped staircase.



CHINA LAND PARASITES MOVING IN

This very geoist-sounding report is lifted straight from the *China Daily* on May 21, where in China's 35 main cities, real estate prices have risen 7.7% *in just the first quarter of this year!*

"Constantly rising property prices are the very lure for more capital swamping into the sector. Those who have access to land are mostly enterprises connected with the government. Thus, the land market becomes monopolized, under the collective control of some big names. The 'Wenzhou property-buying gangs', groups of wealthy investors from Wenzhou, a city in East China's Zhejiang Province, purchase newly-built properties in many cities ranging from Shanghai, Hangzhou near Wenzhou to Chengdu and Chongqing in the inland region and sell them at higher prices to turn a quick profit. In a short time prices double. High property price is an obstacle to further development of local economy. The government should enhance its supervision with market-orientated means, like taxation, rather than simply adopting administrative means."

WORLD NEW ONLINE COURSE

Lindy Davies, the Program Director of the Henry George Institute, is rightly blowing his bugle in proclaiming that the HGI's brand new course in Economic Science is up and ready for students, at www.henrygeorge.org/science

The course is based on a brand new abridgment of Henry George's *The Science of Political Economy*, which is now available from the Robert Schalkenbach Foundation. This is much more accessible than the original, as well as being more

portable - it weighs 240 grams, compared to 860 for the old edition.

Much more than previous offerings, the new course explores the links between Henry George's political economy and what is taught in colleges today. Georgist education moves into the 21st century with this new course -- and if it has been a few years since you picked up George's *The Science of Political Economy*, then there's no better time to reacquire yourself with this important work.

The abridged text of SPE and all the readings for the course are available online; the US\$20 enrollment fee entitles you to individual feedback from a trained instructor. If you don't want to work on the screen, printed versions are also available.

NAMIBIA STARTING TO SEE THE LIGHT?

Jeff Smith sends this report:

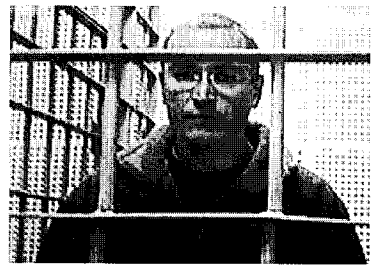
Namibia's present administrators decided to quit letting taxpayers deduct their land tax payments from their income tax liability. As long as they could deduct the rent payments, it was just the same as not paying them in the first place. As soon as the government starts collecting more rent for land, that will drive down the price of land. Hence Government expects it can afford to buy more farmland for resettlement of landless farmers.

The resettlement beneficiaries who will pay rent to the state for using the land will not pay the land tax. Making discrimination legal, the law prescribes that Namibian citizens be charged a rate of 0.75% of assessed value while foreign and absentee landlords will be subjected to a rate of 1.75% of the value of each hectare of undeveloped land. Farm owners contemplating non-compliance of this law face a fine of N\$20,000 or a five-year jail term (*The Namibian*, May 24). Perhaps

the lower rate for citizens is a sort of dividend for them.

MOSCOW THE BILLIONAIRE CAPITAL

The Russian capital Moscow now boasts more billionaires than any other city in the world, according to a survey by *Forbes* magazine -- and it's no surprise that they're nearly all looters of Russia's natural resources. The study also estimates that a quarter of Russia's wealth is now concentrated in the hands of just 100 people.



Topping the list with an estimated fortune of US\$15.2bn is Mikhail Khodorkovsky (pictured), the former head of the oil firm Yukos, who is presently in jail facing charges of fraud and tax evasion. The 37-year-old oil and aluminium tycoon, Roman Abramovich, who last year bought London's Chelsea Football Club, is Russia's second wealthiest man, worth US\$12bn. Oil and gas industrialist Victor Vekselberg, who made the headlines this year when he bought the world's second-largest collection of Faberge eggs, came in third with US\$5.9bn. Mikhail Prokhorov and Vladimir Potanin, co-owners of Norilsk Nickel, came in fourth and fifth with their wealth estimated at US\$5.4bn each. Also on the list was Mikhail Friedman, head of the Alfa Bank, Vagit Alekperov, head of Lukoil, and the fast-rising Russian entrepreneur in the aluminium sector Oleg Deripaska.

Just a dozen years after the collapse of communism, the Russian capital is home to 33 billionaires,



according to *Forbes*, while New York has just 31.

However, some businessmen were unhappy to appear on the list, local newspapers reported. "They [the magazine] couldn't find a worse time and place... Personally the only reaction that I get from discussing personal wealth in our country is high blood pressure," one businessman told the business daily *Vedomosti*.

"Appearing on such a list is bound to make the entrepreneur a prime target for the law enforcement authorities," another businessman said.

In the spring of 2003 *Forbes* published a list of 100 richest people in China, which reportedly led to some of them being arrested. Mikhail Khodorkovsky, now under lock and key, is probably aware of this.

WORLD

WELCOME TO THE LAND CAFÉ

Dave Wetzel, the London dynamo who feeds geoists all over the world with copious campaign issues and discussions via email, has recently admitted that "for some years I have been controlling this discussion in a Stalinist way with every comment coming back to me and me deciding what gets circulated".

But now Eric Britton (who runs EcoPlan in Paris) and Dave (Chair of the Labour Land Campaign) have started a new discussion group called The Land Café.

To join just go direct to <http://groups.yahoo.com/group/LandCafe>

The café describes itself as a wide-open informal @forum created to serve people and groups around the world who are interested to find ways for our societies to come to grips with the troubling but important issues of value capture and land tax reform in an age in which im-

portant public services remain substantially under-funded. The Land Café offers a free, public, flexible repository for documents and reports (see Files) and key links to other programs and site (see Links), and ample discussion space for people and groups who feel that we need to do a lot better in these two important areas of society.

Dave urges, "See you in the Land Café - and you won't even have to buy me a cup of English breakfast tea! (Nor a bikky!)"

U.S.A.

WHEAT WOES

This piece comes from Ed Dodson via the free email newsletter, *Georgist News* - contact gn@progress.org to receive your regular copy. Agricultural subsidies are, in effect, negative ecotaxes.

In a long and in-depth story about rising competition to U.S. wheat growers from Russian, Chinese and Indian farmers, a reporter records the important observation that the "U.S. now claims just one quarter of the world export market, as other nations with cheaper land and labor become better at farming." He does not make the connection between the ongoing subsidies to farmers that have artificially driven up land prices and required the use of bank financing for farmers to acquire acreage for planting (or not planting to get government tax credits, as the case may be). U.S. farmers carrying heavy debt loads will need to diversify and move away from monoculture production in order to survive, particularly if negotiations regarding "free trade" in agricultural goods prevent the U.S. government from restricting imports or continuing the deep subsidies. The big question is: Is there another round of loan defaults, bankruptcies and family farm foreclosures on the horizon?

PAKISTAN ARMY 'KILLING FARMERS'

Whenver the economic system allows someone to make (sometimes massive) gains by claiming outright ownership of land and natural resources, the baser side of human nature will invariably emerge.

Pakistani troops are killing and torturing farmers who refuse to give up their land rights to the army, a leading human rights group says. Human Rights Watch says paramilitary forces working with soldiers and police are guilty of "brutal repression" of tenant farmers in Punjab province. It accuses security forces of four extra-judicial killings in 2002-2003 in the campaign to acquire land.

The 54-page report by the New York-based watchdog accuses paramilitary forces of subjecting tens of thousands of farmers to a campaign of murder, arbitrary detention and torture. On two occasions, the paramilitaries literally besieged villages, preventing people, food and public services from entering or leaving for weeks on end, it says.

"Pakistan's military and paramilitary forces are brutalising their own people in the Punjab instead of protecting them," said Brad Adams, executive director of Human Rights Watch's Asia Division. At the heart of the dispute are tens of thousands of acres of fertile state-owned land in Okara district. It is owned by the provincial government but managed by the army under an agreement struck with the old British colonial powers early last century.

U.K. & WIDER WORLD COMPUTER MAPPING RESEARCH

Tony Vickers has been energetically continuing his work to 'reveal the economic landscape' using computer mapping.



Issue No. 4 of his research newsletter is posted on his web site at www.landvaluescape.org/archives

Tony's work in association with Kingston University School of Surveying involves tracking developments in the property/local tax reform debate, geo-data policy initiatives in Europe and UK, concerns about the supply of affordable housing and public infrastructure finance. Among the many interesting stories in his newsletter, to use Tony's own words:

* *Valuebill* starts to uncover the missing property tax payers, by 'smart' matching of council records with maps

* BBC Radio 4's *"Inside Money"* enquires into house prices and finds tax reform is the answer

* A *water industry* leader calls for land values to be used to finance water supply investment

* *"Value Land - then tax it!"* (my contribution to the Commons' Inquiry into Local Revenue)

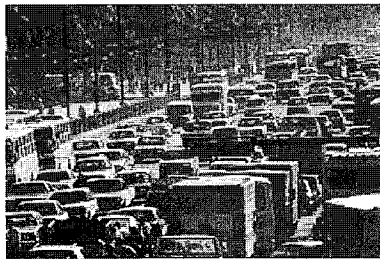
* My study, with colleague Stephen Mitchell, of house price movements after the Jubilee Line Extension was built again proves rail investment can be paid for by land values

Finally, if your own work involves research in the fields of tax/land policy, urban/regional development planning, spatial analysis or valuation, keep in touch by visiting Tony's web site or contact him direct at his new email address: tonyvickers@phonecoop.coop

SCOTLAND CONGESTION CHARGES CONSIDERED

Dave Wetzel, vice-chair of London Transport, is rightly proud of the success of London's congestion charge scheme. As Dave says, it acts like Land Value Taxation. The £5-a-day charge for entering central London began in February last year, and six months later a report estimated there had been a 30% reduction in

congestion, with car journey times



reduced by an average 14%.

Now it's reported that Scotland is seriously consider congestion charging and schemes to promote car-sharing as methods of reducing jams, accidents and pollution, Scotland's First Minister Jack McConnell has said. In Scotland, the issue will come to a head first in Edinburgh, where the council wants to introduce a £2 daily charge to traffic passing through two charging cordons. If given the go-ahead, the charges would take effect from spring 2006.

TAIWAN PLASTIC UPS AND DOWNS

Geoist natural resource charges include rents or fees for a multitude of uses and abuses of the Global Commons and plastic bag levies are one form of these, the need for which is increasingly understood and accepted. Hopefully, we can widen this understanding to eventually get the message through that the locational value of land is crucial to economic, social and environmental integrity.

So, let's cautiously welcome how, after years of dispute among environmentalists, Taiwan has at last drastically reduced plastic waste – more, in fact, than most "green" nations of the North. The government has set large fines against businesses that gave away plastic bags, utensils, and styrofoam and plastic food containers for free. New plastic bags cost one New Taiwan dollar (A\$0.05) apiece, with shoppers leaving the supermarket with goods packed in cardboard

boxes or in their own used plastic or cloth bags. Since January 2003, waste from shopping bags has dropped 65%, and usage of plastic tableware has dropped 90%. Overall, Taiwan has reduced its solid-waste output by roughly 25%.

Here's the cautionary, bit. Taiwan's success may be short-lived for, while the plastics industry has reported some economic losses, their export of plastic goods has taken up the slack. Even still, in May the legislative Yuan approved a proposal to drastically reduce the fines from the original range of A\$2600 to \$13,000 to between \$50 and \$260 per offence. While we've again seen how geoist charges correct behaviour, we've also seen the power of vested interests to frustrate our reforms.

ENGLAND LINING LANDOWNERS' POCKETS

Transport for London's *Metro-Travel* has recently run a front-page article which proclaims that it has published a report suggesting the tax-funded boost to land values attributed to the (tube) Jubilee Line Extension is in the region of £2.8 billion just for land in proximity to 2 stations. The study was conducted by globally integrated real estate services and money management firm Jones Lang LaSalle. The full report is available at www.tfl.gov.uk

Stooged taxpayers are God's gift to landowners!

"We privatise the public's revenue and socialise people's private incomes. If that is not perverse politics in action, I don't know what is!"
- Fred Harrison

PROSPER AUSTRALIA
114TH ANNUAL COMMEMORATION
DINNER



COMMEMORATION SPEAKER

Mr. Peter Consandine

National Executive Director and Founder of The Land Value Taxation Society of Australia;
Member of Prosper Australia; Member of The Land Values Research Group.

Peter has been involved in many areas of Georgist education and promotion. He has made many submissions to Federal Government Inquiries over the years. He has conducted on-street and on campus campaigns for more than seven years. He writes regularly for Progress and is the endorsed No 1 Senate Candidate for the Republican Party of Australia for the 2004 Federal Election for the State of Victoria

COMMEMORATION ADDRESS

KICKING SEVEN POINT GOALS

How the Australian Georgist Movement can kick realistic, relatively inexpensive goals in the near future and kick some behinds into the bargain.

Some of the issues Peter will deal with include:

- Why is Land Management Reform so hard to achieve in the Australian Scheme of Things ...and Why can't the "Gambling" element be removed from the Land Ownership equation?
- Why can't the Australian States be coerced into handing back their powers to tax the values of land to The Commonwealth so that the Feds can properly, annually, assess the true market value of land, collect and re-distribute the revenues to the two lower levels of governance a la the GST?
- Why do we tolerate invisible/disguised, evadable, avoidable, regressive taxes which aid and abet the flourishing black economy in a supposedly progressive country like Australia?

Date

Wednesday 8th September 2004

Time

6pm -7pm

Gathering and ordering of meals

7.00pm

Welcome by President

7.30pm (approx)

Meals served

8.45pm

Commemoration Address

10.00pm

Coffee

RSVP

Friday 3rd September 2004

Booking Fee

\$5.00 per person

Meals

Of your choice ordered from bistro

(\$10.00 - \$22.00)

Upstairs Function Room, John Curtin Hotel,
29 Lygon Street Carlton
(cnr. Lygon Street and Earl Street opposite Trades
Hall)
Ref: Melways 2B FII

Prosper Australia 1/27 Hardware Lane Melbourne 3000
Phone 03 96702754 Fax 03 96703063
Email office@prosper.org.au



Spot the change? We're no longer *Green Grievances* 'cos very few Greens, it seems, have genuine grievances. Queries and questions, yes, but not grievances. So it's now *Grillings* 'cos I'm still a sucker for an alliteration.

Jo Lewis (pictured) has been firing some penetrating questions, and Gavin Putland has answered the geoist call here and interposed answers. Jo is the Greens

candidate for the federal seat of Melbourne Ports.

Joe wrote: *So do you think that we could now apply this and other related principles (resource taxes etc) to the failures of the market ruled economy and create a better overall system? In particular: a) increased disparity between rich and poor and an increasing % of poor*

Gav: Economic growth increases the overall capacity to pay for access to land-like assets, hence the market values of those assets, hence the advantage of those who own such assets over those who don't. Hence the increasing disparity between rich and poor.

An increasing percentage of poor? There is always some traffic between the ranks of the rich and the poor, as some of the rich overplay their hands and go bankrupt, while some of the poor raise themselves by exceptional diligence, skill and/or luck. The growth in land-like asset values makes it harder to get on the asset-value escalator and consequently slows the traffic from the poor to the rich. But I see no reason why it should persuade the rich to gear themselves any more conservatively, so as to slow the

traffic in the other direction. So, on balance, I guess it causes a net migration from the ranks of the rich to the ranks of the poor.

But of course this process can't continue indefinitely. So, throughout history, the numbers of rich and poor have been periodically rebalanced by such things as famine, pestilence, war, insurrection, and the associated shortages of labour and falling asset values.

What will the next great upheaval be? Well, an increasing number of people are realizing that they can afford to buy a home, or have children, but not both. Avoidance of procreation is much easier than it used to be. Population implosions are very bad for property investors...

Jo: *b) falling wages and no way of providing regular work and/or an adequate income for the 40% of the population who will never be "knowledge" workers, effectively locking them out of the comfort zone.*

Gav: Let's get one thing straight. Technology has multiplied the power of labour by factors of hundreds and thousands. So if unemployment were simply caused by labour-saving technology, the unemployment rate would not be 6 percent, or 40 percent, but 99+ percent.

The information revolution has brought out doomsayers bemoaning the effect on workers. So did the industrial revolution. So did the agrarian revolution. But through all these technological changes, the average unemployment rate through the economic cycle has remained remarkably constant, and minimum wages have always been competed down to subsistence level.

The thing that hath been, it is that which shall be; and that which is done is that which shall be done:

and there is no new thing under the sun.

--- Ecclesiastes 1:9.

Therefore the explanation for the condition of the working class is to be found not in what has changed, but in what has stayed the same.

Possible responses to labour-saving technology cover a full spectrum. At one extreme, we can employ fewer people to produce similar amounts of goods and services. At the other, we can employ the same number of people to produce more goods and services. Because people always had, and still have, unsatisfied wants that can only be satisfied by some form of labour, the natural tendency of the economy should be towards full employment. Workers displaced from obsolete industries should be quickly snapped up by new ones and, if necessary, retrained at their new employers' expense. If this doesn't happen, something is stopping it from happening -- something that has stayed the same.

Because economic rent is not an incentive for production, it could be taxed at any rate (up to 100 percent) without reducing production and without raising prices of goods and services. But the owners of land-like assets will have none of this. So governments tax everything that they should be trying to encourage, such as work, investment, employment, and the consumption that creates demand. All these taxes increase the cost of hiring a worker at a given standard of living, and consequently tend to increase inflation or unemployment or both. Central banks fight the inflationary pressure by raising interest rates to produce yet more unemployment, maintaining unemployment at the so-called NATURAL RATE, which is the rate required to produce stable inflation. Meanwhile, the opportunity to make capital gains on land-like assets creates a permanent artificial demand for those assets, causing a permanent price premium and rent premium, exacerbated by periodic speculative bubbles during which producers are squeezed by

excessive mortgage repayments. If central banks didn't create unemployment by raising interest rates, these speculative bubbles would grow bigger and would create more unemployment when they burst. Of course, one of those overpriced land-like assets is residential land, which is a necessity of life, and for which workers must pay out of wages that have been depressed by the competition for scarce jobs, eroded by income tax, and devalued by indirect taxes. In summary, the prevailing economic order treats unemployment, poverty and housing stress not as evils to be avoided, but as the price that must be paid in order to minimize taxation of economic rent.

That is what has stayed the same.

Jo: c) jobs being hived off overseas at all levels

Gav: Taxes on economic rent don't increase prices, including prices of exports and import replacements. Other taxes raise prices to some extent. (For example, income tax applies to export income. So an income tax of 30 percent is equivalent to a tariff of 30 percent in every country of destination of our exports. But you never hear that during debates about free trade.) So, if all nations avoid taxation of economic rent, the countries with the most competitive tradeable goods are those with the lowest taxes and the poorest services, and jobs tend to be exported to those countries.

By shifting taxes onto economic rent, a country can get all the trade advantages of lower taxes while retaining all the trade advantages of higher taxes (e.g. a better educated workforce). If one country does this, others will be forced to follow suit in order to remain competitive. Hence the owners of land-like assets are very keen to prevent any country from being the first to take this step.

Jo: d) the emergence of overstressed time poor workers in the "haves" section of society.

Gav: In the natural course of events, the money-rich and time-poor will

seek relief by creating employment for the time-rich and money-poor. If this doesn't happen, something must be stopping it (see above).

Furthermore, because the under-taxation of economic rent creates a high risk of unemployment, those in employment must burn midnight oil in order to retain their jobs.

Jo: e) undermining of healthcare and education systems that were designed for the whole of the population

Gav: Taxes on economic rent don't discourage production and consequently don't shrink the tax base. Other taxes do. All else being equal, a tax that doesn't erode the tax base can raise more revenue for essential services than one that does. The claim that we must limit expenditure on essential services, in order to limit taxation, in order to preserve economic incentives, is based on the unstated assumption that taxes must not be levied on economic rent.

Jo: f) the usurping of government powers by large corporations...

Gav: This is a source of economic rent, and is achieved by political campaigns funded by economic rent.

- this may be a failure of the law and require changes to the way corporations are regulated - not easy to do in a free market economy.

Economic rent arises from protection from competition; that is, economic rent is the product, not of free-market conditions, but of DEPARTURES from free-market conditions. Those who defend their economic rent in the name of the free market are indulging in Orwellian blackwhite: war is peace; freedom is slavery. Their hypocrisy needs to be constantly exposed.

Jo: g) housing, homelessness and gentrification (as discussed below)

h) failure to provide adequate protection for the environment and total failure to even start to tackle

global warming and greenhouse emissions.

Gav: An economy that relies on interest rates to control inflation will have higher long-term-average interest rates than one that doesn't. And high long-term interest rates mean high discounting rates for future costs, such as the costs of resource depletion and environmental damage. If we fight inflation by shifting the tax burden onto economic rent, long-term interest/discounting rates will be lower, so that future costs will figure more prominently in present financial calculations and will be more likely to influence corporate and public policy.

N.B.: Environmental concerns do not have to be weighed against economic concerns. They BECOME economic concerns if the economic time line is extended far enough into the future. And the time line can be extended by reducing long-term interest rates.



HENRY SAID...

"An English writer has divided all men into three classes -- workers, beggars and thieves. The classification is not complimentary to the "upper classes" and the "better classes," as they are accustomed to esteem themselves, yet it is economically true. There are only three ways by which any individual can get wealth -- by work, by gift or by theft. And, clearly, the reason why the workers get so little is that the beggars and thieves get so much. When a man gets wealth that he does not produce, he necessarily gets it at the expense of those who produce it"

Social Problems, Chapter 9, paragraph 9

How I "Saw the Cat"

George Jukes

continues our series of personal journeys relating the different paths by which we arrive at geoism. To "see the cat" is to experience a sort of revelation, in the manner of when a kid sees the hidden cat in those activity book drawings of a tree or bush. After you've seen the cat, the geoist paradigm just seems so obvious.

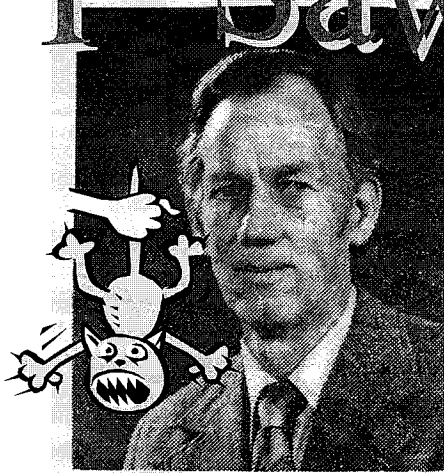
1919 wasn't an easy time to be born, and tougher still if you had 5 siblings. I was brought up in a Georgist household with a father (who seemed to know it from birth) plus an elderly man who was a boarder in our Port Lincoln home. The need for economic justice was the only topic of conversation, so I was imbued with Georgist econom-

it would be better to leave your children nothing in a just world than to leave a fortune in an unjust world

ics by osmosis. With this very early edification, there was not actually any definable moment when I saw the cat.

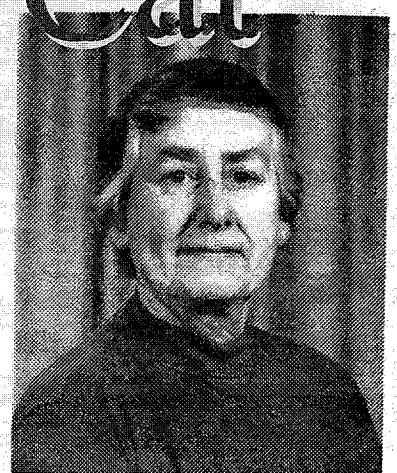
My father always objected to the name "Single Tax" and asserted that George's solution is not really a tax at all, so our household was never obscured by this misleading term.

A little bit of history about the "West Coast" - the western half of South Australia and my birth place. Now if you were to rule a line East-West across Australia between Perth and Sydney, about half way



George JUKES

THE
HENRY GEORGE
LEAGUE
INDEPENDENT
CANDIDATES
FOR THE
SENATE



Jean JUKES

across is a small town called Kimba. If there was a spot in *The Guinness Book of Records* noting which place had the greatest percentage of Georgists per head of population, I think that at one moment in history Kimba would have won it hands down.

Early last century a number of early farmer settlers were driving their stock overland to the West Coast and they were joined by a young Irishman - an immigrant who was humping his bluey across Australia. And so, in those days walking and driving their stock, Sam Lindsay introduced them to Henry George. The ranks are growing thin now, but after nearly 100 years there are still a few stalwarts keeping the faith.

I was bashing the ears of my unwilling school friends from about the age of 12 and, though I have never doubted the truth of Henry George's teachings of the natural order, I have learned to refine some of the arguments and even add a couple of extensions to suit changing times. However, there's been no doubting the accuracy of George's logic or the beauty of expression.

At 19, as a tailor, I moved to Adelaide and soon began visiting the Georgist office, especially because Mr. Craigie was the secretary there. When he got in parliament, his son Tom ran the office, and I remember Tom discussing *Progress and Poverty* with one of these smart alects who thought it was clever to prove George was wrong. Suddenly Tom said, "Just a minute, Alan" and

pulled *Progress and Poverty* from the shelf and located the exact sentence. He put the punctuation in the correct place and altered the meaning completely. I was most impressed.

Mr. Craigie eventually lost his seat in parliament because the Labor and Liberal parties exchanged preferences, so the Labor party actually put in the Liberal party member. A similar anti-geoist conspiracy occurred a decade or so ago when the Democrat leader, Janine Haynes, narrowly lost a South Australian election.

After Mr. Craigie left parliament, he worked full time for the Henry George League and often travelled to country towns to speak at meetings when local councils were planning to change from Site Value to Capital Value rating. He was usually successful. We had a photo of the 3 Craigie boys and on the back Mr. Craigie had written "Three reasons why I am a Single Taxer". Of course, Henry George wrote near

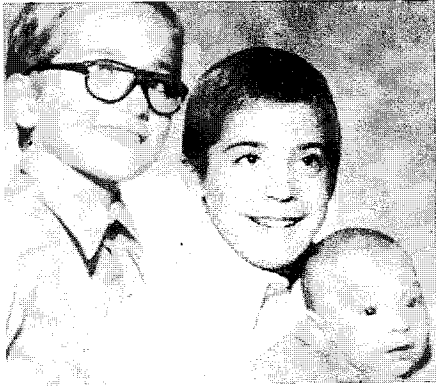
we are the custodians of a great idea whose time will surely come, though when, no one knows

the end of *Progress and Poverty* that it would be better to leave your children nothing in a just world than to leave a fortune in an unjust world.

We closed the tailor business during the war. My service was not an illustrious one, working for an air-

field construction squadron in Darwin and Borneo.

The first time I ever addressed an audience was when I had an invitation from Betsy Harris, secretary of the Henry George League of Kimba. My wife Jean, Ron Burford, my business partner (another confirmed Georgist) and I all drove



We had a photo of the 3 Craigie boys and on the back Mr. Craigie had written "Three reasons why I am a Single Taxer"

to Kimba 170 miles North of Point Lincoln. When I addressed the Kimba Henry George League, I guess it was the nearest I'll ever get to being in Heaven among so many people who spoke the same language!

Back in Point Lincoln after the war, Betsy Harris asked me to stand for the senate, sponsored by the Kimba Henry George League. I had to wait until after I retired to devote the time necessary so, when I did retire in 1977, I prepared for the senate election the following December. To get a column of your own in the election paper we needed to be a party, so my wife Jean ran as well. You won't be surprised that we weren't elected!

Soon after we sold up, gave our cars to our two daughters who had just graduated from university, and took off to Britain. We immersed ourselves in the Georgist movement there and made many lifelong friends ("Cheerio" to you, Jose, Barbara and Shirley-Anne!). We then travelled extensively in Europe

and the U.S.A. before returning to South Australia, but where would we settle? Then we discovered that John Hall, Lou Ellis and David Brookes had revived the H.G. League in Adelaide, so that clinched it – Adelaide would definitely be our home!

This was 1979, the centenary of the publication of *Progress and Poverty*, so we soon flew off to San Francisco for the International Georgist Union conference to mark this occasion, attended by hundreds. A launching of Robert Andelson's book *Critics of Henry George* took place – a real highlight [Ed: *Hear! Hear! This book is a triumph!*].

More travels abroad followed, always taking in Georgist colleagues. After 5 years retirement I returned to work, working as a costume-maker for the State Theatre from the age of 63 to 81 (4 years ago). At about the time I returned to work I petitioned my large double garage, added carpet, and made it into our Adelaide meeting room.

Betsy Harris is still going strong and, if in one of those rare moments I feel despondent about lack of progress in the cause, I look back at a letter that Betsy showed me from Mr. Douglas Herps who, discussing this despair, said "But we must continue to keep the faith, remembering that we are the custodians of a great idea whose time will surely come, though when, no one knows."

Age is our great problem and losing our youngest, talented member

to the perplexing question why more people don't embrace Georgism, Julia's reply was "They just don't see the magic"

Tony O'Brien in 2002 was a great blow as well as a burden on John Hall (who took on the Treasurer's and Secretary's jobs and does them so well). That my wife Jean is an enthusiast is of inestimable value, but to find young talent that have the time to spare is the problem.

What have I got out of knowing about the "Land Question" according to George? - moments of despondency, but only moments! I have come to know so many great people in England, America & Australia who have become good friends through our movement. One vivid memory is discussing with Julia Bastian the perplexing question why more people don't embrace Georgism. Julia's reply was "They just don't see the magic" – and magic it is!

Imagine Robinson Crusoe takes a day off from catching fish by hand and makes a crude fishing rod with which he can multiply his catch. He now has property, capital wealth - who has he robbed?

If he takes a day off from hunting for food and builds a hut so that he no longer needs to sleep under the stars - again he has property - but who has he robbed?

However, if he claims ownership of the island itself, and demands rent for a site where they wish to build a hut, or rent for going hunting in his forest, from Man Friday and other people who arrive from shipwrecks he is stealing what Mother Nature has created.

I don't believe all ownership of property is theft but I do believe the claim to own natural resources (land, the spectrum, landing slots) is theft: and that is the moral justification for land value taxation.

Dave Wetzel



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✱ The Federal Government's sudden concern for honest hard-working Australians in the form of a generous package to Queensland cane growers could surely have nothing to do with the fact that Federal marginal seats were involved, could it?

✱ Privatised businesses or assets, by both State and Federal Governments, have been invested heavily by overseas corporations – e.g. SPI, a Singapore company, purchased the YXU power company, which had purchased a significant portion of Victoria's electricity generation and distribution network. This means, of course, site rents being siphoned off overseas.

✱ Tracey Aubin's "Peter Costello" is an informative unofficial biography of the Federal Treasurer and associated sociopolitical events. The section dealing with the introduction of the nefarious GST is of some interest, revealing of course an abysmal ignorance of basic economics all round. What is ironic is that both John Howard and Peter Costello, basically responsible for what they claimed to be "tax reform", often both distance themselves from each other, each claiming as much credit as possible.

✱ With Federal Income Tax, with suitable defined medical expenses exceeding a specified amount, one fifth of the excess can be claimed for a rebate. The limit was suddenly changed just around the time many citizens were going through the chore of preparing their tax returns – from \$1250 to \$1500. Those who had in all good faith used the lower limit were required

to amend their returns, and pay an extra \$50. A further example of the crazy, costly compliance of the current tax set-up.

✱ In 2002-03 Australians paid a record \$237.5 billion in taxes, up \$217 billion a year earlier. In two years since the introduction of the GST, its annual haul has jumped by almost one third to \$31 billion, or \$1582 a head. More than 700,000 people on minimum wages – about \$500 a week – now pay \$650 more tax each year than when the Howard Government was first elected in 1996.

✱ Language can be curious. According to Sydney-based Australian Property Monitors, Melbourne had the "worst" performing property market of all capital cities for the first quarter this year. Melbourne's median "house" price fell 12.9%, with Sydney the next "worse" performer dropping 7.5%. Of course first home buyers would use a different adjective. Incidentally the figure given by the Real Estate Institute of Victoria for Melbourne was 0.8%! Statistical bias somewhere? Unthinkable!

✱ A business subjected to a GST audit had accidentally, due to a computer glitch, omitted its ABN from invoices. Whereupon the Australian Tax Office issued a \$1.1 million GIC penalty to the business (Max Newnham's column, "The Age", p. 12, 24/5/04). One wonders what the Federal Treasurer, who has been taking the high moral ground recently (perhaps with an impending Federal election?) would make of this. After all, he must bear some responsibility for the introduction and implementation of the GST "tax reform".

✱ Our politics inverts the values of democracy. We privatise the public's revenue and socialise people's private incomes. If that is

not perverse politics in action, I don't know what is! – Fred Harrison, in Land Research Trust Newsletter, 20/6/04

✱ A generation of Australians faces rising rents, with private renters being more likely than any other group to experience "housing stress" – devoting at least 30% of their disposable income to "housing" costs. 1.7 million are said to suffer from this affliction ("The Age", 5/7/04). As usual the report contained no glimmer of the real remedy.

✱ If you want to set up business in Australia you deal with the Australian Securities and Investments commission. If you want to set up a non-profit association there are 14 regulators to deal with, and if the non-profit association wants to raise money nationally, there are seven regulators to convince. (Adele Horin, "Sydney Morning Herald", 19-20 July 2003)

✱ President George W. Bush made his fortune as a land speculator, as reported in Nicholas Kristof's column in the New York Times. Bush was able to transform a \$600,000 stake into \$14 million as part of a consortium that built a stadium for the Texas Rangers. As part of the deal, the city would even confiscate land from private owners so that the new owners could engage in real estate speculation. (American Journal of Economics and Social Sociology, Vol. 63, No. 2, 2004, p.523)

✱ Governments, especially that of the USA, subsidise their farmers to grow grain and other foodstuffs. At the same time international organisations like the IMF and the World Bank pressure emerging and Third World countries to remove the tariffs that protected them from competition. They force acceptance of such a course

by manipulating the debt of these vulnerable nations. With their dependence on debt renewal, this means the surrender of their sovereignty in determining their national interest. As a result food production in these poorer land languishes, and they become more and more dependent on imports for their food. (ERA Newsletter May-June 2004).

✻ Aussie press way in favour Financial Review (Mar 15):

"In Australia land tax raises about \$2 billion a year for the states, or a bit under 5% of the revenue raised by all state and local taxes. Its wider use is advocated by serious economists. The Productivity Commission's report urges state governments to consider using a comprehensive land tax to replace state stamp duties. The potential role of land tax in improving the efficiency and equity of the taxation system is greater than that. As the British are beginning to realize, a comprehensive land tax could discourage property price bubbles. And it could do it more efficiently than restrictions on the negative gearing of residential property investment. A more comprehensive tax, which included owner-occupied land, could be a powerful deterrent to over-investment in real estate. It would also reduce the volatility of the residential property market. As a rough substitute for the taxation of capital gains, land tax has a particularly interesting feature. The tax base cannot easily go away. Land tax generally is based on the value of unimproved land, which, in turn, is a function of supply and demand and infrastructure spending by state and local government. Nothing the individual owners do affects the unimproved value of their land."

✻ ABC Online Stateline NSW, "Land Tax For All", broadcast March 26):

"Reporter Quentin Dempster: 'In its recent discussion draft on home affordability in Australia, the Productivity Commission pushed the idea of a much wider land tax base. Stamp duties should be replaced as a matter of priority with more effi-

cient forms of tax, one of which could be a comprehensive land tax. Sydney University's Professor of Economics and Business, Frank Stilwell [who hosted my talk last year], supports the Singer/Spitzer and Productivity Commission advocacy for an all-in land tax regime.' Respondent Dr Stilwell: 'Well, at the moment, we've got a very unfair situation, whereby landowners are capturing an enormous proportion of social wealth. Over the last 10 years in NSW, about \$360 billion of wealth has been captured by landowners. Now, that's a product of community improvement and should be returned, at least in part, to the community. At the moment, the Government's only getting about 12% of that, so most of the extra wealth is being captured by the landowners and there's a strong case, I think, for extending land tax so that part of that can be recaptured, reduce the current stamp duties, other taxes, provide revenues for improved social services, public housing and the like.'" abc.net.au/stateline/nsw/content/2003/s1075710.htm

✻ Morning Herald, Sydney's main daily (April 21):

"the Australian tax system has been screaming at taxpayers to gear up to earn increased capital gains rather than to work harder to earn increased wages or salaries. This tax-driven diversion of money and effort away from work, away from small businesses, away from productive investments, is without recent precedent. It has helped push property prices into uncharted territory and may have brought on our last two interest rate increases. Cutting the tax on land will spur more speculation in land and will take away resources from the knowledge economy and put them into the least productive, least honourable aspects of Australian economic activity."

✻ These are pertinent passages from the July 2004 issue of the Bulletin of the Victorian Local Governance Association
Funding Choices

Funding Choices is a call for an overhaul of current transport funding direction, to better align with State Government policies such as Melbourne 2030, Growing Victoria Together and the Greenhouse Strategy. It was produced by the Metropolitan Transport Forum, a joint initiative of 15 metropolitan local governments. Funding Choices follows Creating Choices, a document released in 2002 which called for robust and realistic alternatives to the car, enabling the community to make more sustainable transport choices.

Funding Choices was launched on Tuesday 8 June and puts the case that public transport mode share will only increase if the public transport system is improved relative to the road system. A mix of policy, planning and investment strategies is proposed. It also argues that allocation of funding for transport infrastructure and services should be assessed more broadly against equity, environmental, economic and financial principles to capture the range of benefits that public transport can deliver.

In discussing the role of state government, competing pressures from health and education on state government budgets are acknowledged, limiting the opportunity to fund public transport from existing revenue sources. The proposed way forward suggests an overhaul of the funding system to permit a transfer between capital and operating budgets. Alternatively there could be new revenue or taxation measures where revenue is quarantined for public transport.

Various measures by which funds can be raised that are in existence elsewhere include:

Development charges, by which contributions to general infrastructure, including transport, are captured at the time of property development. Extending existing practice to include public transport is enabled via the new Victorian Development Contributions Scheme.

Property taxes, where increased property values due to improved local public transport can be taxed to fund development ■

Letters Letters Letters Letters Letters Letters

from *The Age*, 20/6/04

MAKING TAXES WORK FOR THE ENVIRONMENT

With his call for a discussion paper on ecological tax reform, Kenneth Davidson (Opinion, 17 / 6) shifts the energy question to tax - and not before time. Taxing individuals and businesses for the use of natural resources, including land, to protect the environment will place the onus on those who use these resources unwisely. The bonus is that a natural resources tax will be difficult to avoid, if properly administered, unlike income tax. Revenue raised could be used not only for the environment, but also to decrease, and ultimately abolish, all labour and income) derived taxes.

Margit Alm, Eltham

from *The Whitehorse Leader*, 4/8/04

LAND PRICES THE CAUSE

John Enticott's proposal for more social housing rental (*Whitehorse Leader*, July 21) would only deal with the symptom not the cause of housing becoming more unaffordable for those on low incomes. To overcome this, the rapidly increasing price of land must be curbed. Prices may fall for a short while but are certain to rise quickly again. A tax on the increase in land values high enough to discourage speculation would greatly reduce the rises. Such a tax would be equitable as land values rise due to community action including provision of infrastructure, such as ports, railways, roads, public buildings and other public facilities, not through the efforts of the owners.

David Barkley, Box Hill North

from *The Sun-Herald*, 23/5/04

TAX POSITIVES

"Landlords lift rents to absorb tax hikes" (*The Sun-Herald*, May 16)

featured more property investors complaining about land tax. These investors don't seem to understand that if the land tax rate is high enough, a wide range of desirable infrastructure projects become self-funding through the increases in land values that they cause. So the projects are more likely to go ahead, and property owners are more likely to get the capital gains.

Moreover, because land tax does not feed into prices but would replace other taxes that do feed into prices, a shift towards land tax would reduce inflationary pressures, allowing lower interest rates, hence higher property values. Sure, the tax means that property owners get only a fraction of the benefit, but a fraction of something is better than 100 per cent of nothing.

Gavin Putland, West End, Qld.

from *The Australian
Financial Review*, 1/7/04

WHAT DEMOCRACY FOR IRAQ?

Michael Rubin in his article (*AFR*, June 29) is disappointed that there has apparently been no sharing of Australian advice in Iraq on election systems in Australia. A system which should be suited to the complex situation in Iraq would be the Hare-Clark one, which has been used in electing governments in Tasmania since 1907 and, more recently, was adopted for the ACT as a result of an overwhelming vote in favour in a referendum.

In Tasmania, the same party formed and held Government for 35 consecutive years - from 1934 to 1969. One reason could be that the system encourages members to truly represent all the voters, so there is a tendency to have a "middle of the road government". Michael Rubin ended with "The future of Iraq may just depend on Australia finding its voice" Hopefully, Tasmania and the A.C.T. will speak out."

David Barkley, Box Hill North

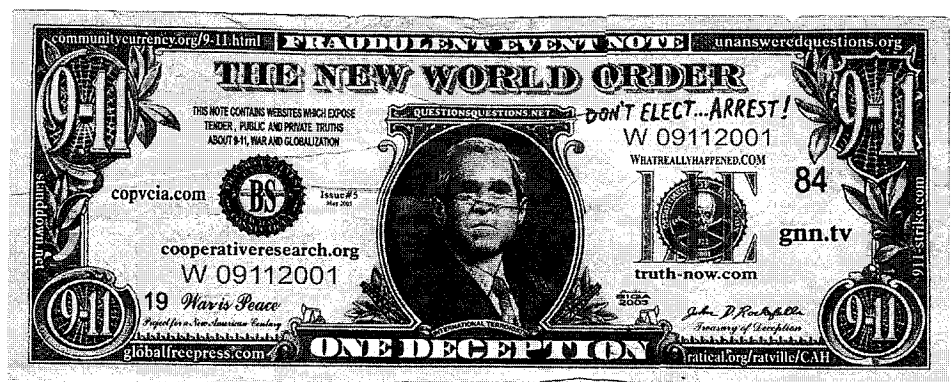
from *The Sydney Morning Herald*,
25/5/04

TAX AS AN INCENTIVE

Thanks, Ross Gittins ("*Treasury leads the wishful thinking on tax*", *Herald*, May 24) for explaining the two effects of taxation: the wealth effect (i.e. working harder to compensate for the tax), and the substitution effect (i.e. avoiding the taxed activity).

Now let me draw the obvious conclusion: to maximise the incentive to work, we need taxes that have a wealth effect but no substitution effect. One such tax is land tax, which has no substitution effect because the tax liability is attached to the land and not to any activity of the owner; that is, there is no "taxed activity".

Dr. Gavin R. Putland, West End (Qld).





By Mr. Ed

LIE OF THE LAND
by Duncan Pickard PhD
2004,
Shepherd-Walwyn London
68pp, £6.95
(available from Proz Oz office)

LIE of the LAND

A Study in the Culture of Deception



Duncan Pickard PhD

The most ridiculous source of public finance is the opposite of an eco-tax, right?. And the opposite of an eco-tax is a subsidy for the use or abuse of natural resources, which is what agricultural subsidies – by the \$billion in the European Union (EU) and the USA – amount to.

The author is a true son of the soil, raised on a farm but also gaining notable academic qualifications and has also “seen the geoist cat”. From first-hand experience, the first part of the book (suitably entitled *The Big Lie*) lays bare the appalling inefficiencies (and consequent environmental wastefulness) of EU agricultural subsidies. The contorted mathematical formulae that give rise to these colossal handouts:

- lead to concentration of landownership
- largely benefit the rich (subsidies just push up rents paid by tenant farmers)
- do little to make food more affordable, but rather push up land prices
- encourage large-scale holdings (with more fossil fuel input and unemployment)
- further lead to the depopulation of rural areas
- requires massive amounts of record-keeping (diverting farmers from productive work). There’s an amusement section on how every bovine animal has to have a passport which resembles a cheque book with many pages to record all sorts of data
- make it extremely difficult for would-be farmers to enter the market
- lock out Third World farmers from EU markets
- rather than promote efficiency, divert landowners into seeking more and more subsidies
- help fuel land-price gyrations and economic boom-bust cycles

The solution to this dog’s breakfast of red tape and economic insanity is the breathtakingly elegant and simple geoist paradigm, which I’ll leave to the author to outline in the first quote below. How billions of people can be stooged in such a massive (in financial terms) way is largely do to both ignorance of ordinary consumers and taxpayers, plus the devious machinations of vested interests. These latter bogeymen are:

- (1) the big beneficiaries of subsidies
- (2) those who want to trade and speculate in land
- (3) bankers who feel more comfortable when the value of collateral is high (instead of looking at the long-term, sustainable productivity of an agricultural concern, which is fostered by LVT)
- (4) land agents selling on commission
- (5) the big bully-boy in this story, the IMF – again, read the author’s own words in the second quote below

The book is a great read, and the author is to be commended for his sound grasp of geoist principles and its many applications to agriculture. By no means do you need any famili-

arity with agriculture to appreciate its message – rather, anyone with the faintest interest in economics, sustainability and social justice should value reading it. Members can borrow the book from our library, or you can order it through our office.

“The removal of grants and subsidies need not have a negative impact on the profitability of farming. Without the burden of existing taxes, farmers would be able to return to farming and concentrate on producing the goods that consumers want. Those who are convinced that unsubsidised farming can never be profitable can take comfort from the fact that if farmers are unable to generate profit (which means the land they occupy would not attract rental charges), there would be no payment to the Exchequer. But when fixed costs have been reduced, there is little doubt that a taxable surplus will be produced. Those markets for primary produce in which we now have difficulty competing, such as dairy produce from New Zealand, would become more open to us. Instead of farming to maximise subsidy income we would pay more attention to the demands of the market. When incentives to maximise the amount of land owned is replaced by incentives to maximise profits through the ability to keep what we earn, the vitality of rural communities will return.” (p. 48)

“The IMF is also opposed to adopting a fair system of public finance – it wants to lend more money at high rates of interest and is against anyone who says the Russians do not need to borrow money. Our proposals were condemned by the IMF as not being “capitalist”, to which we reply: “No capitalist sells when he can make sufficient money by leasing!” (p. 54) □

EARTH RIGHTS ECONOMIC POLICY VISION STATEMENT

Ed: this is what Alanna Hartzok recently submitted to the Global Progressive Forum/Party of European Socialists in response to the question: "What do you think are the biggest challenges for social democracy today"

The biggest challenge for social democracy today is to articulate coherent policies based on a unifying vision for society. The policy approach should transcend the usual right/left divide and articulate a clear analysis of the problems inherent in the neoliberal macroeconomics structures.

The major problems to address include: (1) the enormous worldwide wealth gap and the underlying concentration of land and natural resource ownership and control; (2) the privatised mone-



starting with the principle that the land and natural resources of the planet are a common heritage and belong equally as a birthright to everyone

etary structures; and (3) building global governance institutions and financing governance and development in such a way as to divert funds from military industrial profits and into social development and environmental restoration.

We need a basic clarification of First Principles on the concept of "ownership", starting with the principle that the land and natural resources of the planet are a common heritage and belong equally as a birthright to everyone.

Products and services created by individuals are properly viewed as private property. Products and services created by groups of individuals are properly viewed as collective property.

We can hatch many birds out of one egg when we shift public finance OFF OF private property and ONTO common heritage property. From the local to the global level we need to shift taxes off of labor and productive capital and onto land and natural resource rents. In other words, we need to privatise labor (wages) and socialize rent (the value of surface land and natural resources). This public finance shift will promote the cooperatisation of the ownership of capital in a gradual way with minimal government control of the production and exchange of individual and collective wealth. Natural monopolies (infrastructure, energy, public transportation) should be owned and/or controlled or regulated by government at the most local level that is practical.

The levels of this public finance shift can be delineated thusly: Municipalities and localities to collect the surface land rents within their jurisdiction. Regional governing bodies to collect resource rents for forest lands, mineral, oil and water resources; the global level needs a Global Resource Agency to collect user fees for transnational commons such as satellite geostationary orbits, royalties on minerals mined or fish caught in international waters and the use of the electromagnetic spectrum.

An added benefit of this form of public finance is that it provides a peaceful way to address conflicts over land and natural resources. Resource rents should be collected and equitably distributed and utilized for the benefit of all, either in financing social services and/or in direct citizen dividends in equal amount to all individuals.

A portion of revenues could pass from the lower to the higher governance levels or vice versa as needed to ensure a just development pattern worldwide and needed environmental restoration.

it provides a peaceful way to address conflicts over land and natural resources

In the area of monetary policy we need seignorage reform, which means that money should be issued as spending by governments, not as debt by private banking institutions. We also need guaranteed economic freedoms to create local and regional currencies on a democratic and transparent basis. ■



You've just read the economic policy vision statement of the Earth Rights Institute, so let's have a squiz at what they say about themselves on their website. That tireless geoist activist, Alanna Hartzok, is the heart, soul and driving force of the Earth Rights Institute.

EARTH RIGHTS INSTITUTE

Non-Profit 501(c)(3)
www.earthrights.net

Earth Rights Institute is dedicated to securing a culture of peace and justice by establishing dynamic worldwide networks of persons of goodwill and special skill, promoting policies and programs which further democratic rights to common heritage resources, and building ecological communities.

Earth Rights Institute is a member organization of the International Union for Land Value Taxation, a United Nations NGO based in London and recently, a partner organization for the EcoEarth Alliance, a NGO stakeholder of the UN Commission for Sustainable Development.

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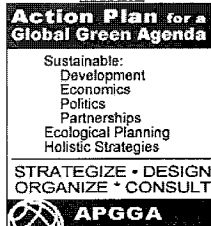
Network Organizations

Alanna Hartzok,
Co-Director
Box 328
Scotland, PA 17254
USA
Phone: 717-264-0957
Fax: 717-264-5036
E-mail:
earthrts@pa.net



Action Plan for a Global Green Agenda

Click here to go to APGGA website:



Eco-justice Pedagogy Base for Change

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Nigeria

China

North/South New Trade Initiative:
Clean Cotton Campaign for Africa

Updates

Anne Goeke (de la Bouillierie), Co-Director
8602 Barron Street
Takoma Park, MD 20912
USA
Phone: 301-439-6226
Cell: 717-468-1880
E-mail: ajgoeke@iqc.org

Ed: And here's the text from one of the many interesting links on this website - check it out yourself at www.earthrights.net

"An Action Plan for a Global Green Agenda" is a program dedicated to securing a culture of peace and justice by establishing dynamic worldwide networks of persons of goodwill and special skill, promoting policies and programs which further democratic rights to common heritage resources, and building ecological communities.

Current world conditions require an immediate and new approach to peace building. New knowledge and skills are available and this project will draw on these to design a formula that implements sustainable development into the fabric of society and lays the foundation for a culture of peace. The program creates the necessary sustainable partnerships enabling a new green program to be supported not only by the usual experts and activists but has support from both the political and economic base.

The program will harness new knowledge and the latest technologies in communications to skills of peace experts, environmental economists, ecological planners and designers laying the groundwork for a healthier planet. It will establish a worldwide network to strategize and maximize local participation and serve as a mentor and vehicle to encourage communities to use participatory and sustainable systems at all levels in the decision-making process; ensuring the implementation of programs to position their communities for success in restoring peace and prosperity in the region.

This peace program is founded on the establishment of collaboration, cooperation, and co-existence with each other and the natural environment. And since all societies are coping with the increase of violence, an integral part of the program includes true healing systems and non-violent communication skills. A worldwide coordinated network working for durable peace will influence the spread of a profound desire for a culture of peace. ■

WORK POOR AND DIE WEALTHY - THAT'S THE COST OF COM-MODIFYING LAND

BOOMS WITHOUT BUBBLES

Selling Land Tax to Land Owners

by Gavin Putland

Land owners should support a high rate of land tax to finance the infrastructure that increases the value of their land.

The infrastructure would be built, not because politicians can be trusted to spend any additional revenue on infrastructure, but because the additional revenue *depends* on the infrastructure: each infrastructure project would *pay for itself* (and more) through the increases in land values that it causes, provided that the project satisfies the condition

$$g > 1 + it$$

where t is the marginal LVT rate, i is the discounting rate, and g is the ratio of the total taxable uplift in land values to the cost of the project, the word "taxable" allowing for any thresholds and exemptions. If the LVT rate (t) increases, the required value of g decreases, so the self-funding criterion is easier to satisfy, so more projects go ahead, causing more increases in land values.

If you are a land owner, your tax bill does not increase unless the market value of your land increases, and the market value of your land does not increase unless, in the judgment of the market, you are better off in spite of the tax. So you can't lose because of higher tax bills.

This argument applies to a conventional LVT computed on the capitalized value of the land, with or without a threshold. It does not apply to a Mill tax or a full site rent system, both of which attempt to prevent any increase in capitalized values. So as long as we are content to advocate high rates and fewer exemptions for LVT, we should be able to count the landed class not as our greatest enemy, but as our most important ally.

The first strategic goal in the geoist project must therefore be the implementation of the strongest possible LVT. I say this for at least four reasons.



First, it may be that we cannot achieve anything without the support or tolerance of the landed class, and that the necessary degree of support or tolerance will not be forthcoming for any geoist policy beyond a strengthened LVT for funding infrastructure. In other words, it may be that the LVT-for-infrastructure policy is as far as we can go, in which case, if we reject that option, we consign ourselves to oblivion.

Second, for a given LVT rate, the fraction of ground rents taken in tax is inversely related to the prevailing interest rate and approaches 100 percent as the real interest rate approaches zero; and the disinflationary effect of the initial change in the tax mix would allow a loosening of monetary policy, perhaps causing real interest

rates to fall. (Why only "perhaps"? Because the LVT-for-infrastructure policy would make land a better investment, and the return to land is a benchmark for interest rates.) So it may be that a seemingly moderate LVT rate would collect enough of the rental value of land to defray the whole cost of government.

Third, even if it is desirable and politically possible to move beyond LVT to a Mill tax or full site rent system, it may be necessary to demonstrate the benefits of the least radical option (LVT) first, so that more radical options can be promoted as "more of the same".

Fourth, putting aside all "it may be" arguments, it is clear that a strengthened LVT would be a step in the right direction.

Nevertheless, an alliance between geoists and land owners would be a novelty for both sides, and its maintenance would require sensitivity and tact -- especially from the side taking the initiative. Accordingly, I now attempt an issue-by-issue survey of geoist rhetoric and how it can be modified so as not to alienate powerful friends. I do this with some trepidation, because the idea of an alliance with property owners is almost as new to me as it is to most of my readers, and my thinking on the subject continues to evolve. But the attempt must be made. If I only manage to start a debate, it's a debate that we had to have.

MORAL FOUNDATIONS

The LVT-for-infrastructure model not only accepts private property in

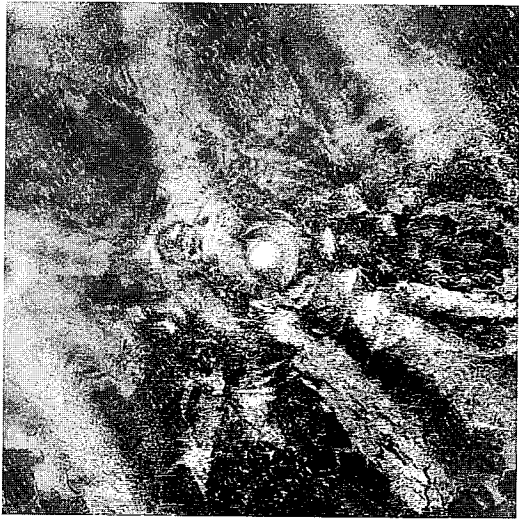
it may be that we cannot achieve anything without the support or tolerance of the landed class

land and the private appropriation of unearned increments in land values, but even offers more unearned increments as a political carrot. Fortunately, however, it is possible to defend the geoist project on purely economic grounds, without

taking any controversial moral stand. So:

DON'T attack private property in land, capitalization of land values, or private appropriation of increases in land values on moral-philosophical grounds.

DO point out that because neither land nor its value is created by the owner, taxes on land values cannot deter production and therefore cannot cause inflation or deadweight. If someone questions the morality of "confiscating" part of the unearned increment, respond that it is



If we reject that option, we consign ourselves to oblivion

surely better to confiscate unearned windfalls than to confiscate the fruits of labour.

Of course, some of what purports to be moral opposition to land taxation is actually driven by pecuniary interests, and will therefore not be heard from land owners who understand that they would benefit from our policies. Therefore, in statements intended for non-specialist consumption:

DON'T anticipate objections such as the "poor widow", or the assertion that property taxes should pay only for services to property, or the claim that land cannot be separately valued.

DO answer such objections if others raise them, and direct the answers at land owners and their associations, who of course have an incentive to

defend the LVT-for-infrastructure policy against such objections.

LAND SPECULATION

Here we seem to face a contradiction. On one hand, we know that land speculation prices productive land users out of the market; on the other, promising capital gains due to infrastructure looks like pandering to the speculative motive. But if the LVT-for-infrastructure policy is a step in the right direction, it must reduce speculation and its ill effects; and if the same policy increases land values, it must be possible to put a pro-land-owner spin on that reduction of speculation. A possible approach is as follows:

DON'T define speculation simply as the pursuit of capital gains.

DO define speculation as putting faith in the greater fool and failing to associate capital gains with growth in real or imputed income, which in turn is caused by, among other things, improving infrastructure.

DON'T characterize speculators as bidding up land prices to the detriment of potential owner-occupiers.

DO characterize speculators as failing to make the most productive use of land on which capital gains are sought, thus restricting the availability of land to productive users, and increasing the cost of access for those users but reducing the overall returns to land.

DON'T characterize land tax as discouraging people from acquiring land that they don't intend to use productively.

DO characterize land tax as requiring people to make productive use of whatever land they acquire, so that they earn income in proportion to the capitalized value of the land.

In other words, define the problem negatively and the solution positively, not the other way around.

SPRAWL

Causes of sprawl include:

(a) The need to leapfrog over vacant land held by speculators;

(b) Opposition to infill development for fear of devaluation of surrounding land.

Point (a) is addressed under the preceding heading. The standard geoist answer to (b) is that any form of land value taxation gives at least partial compensation to those whose property is devalued by planning decisions, and that it's a bit hard to compensate the losers if you don't also tax the winners, albeit only of part of their winnings. This answer is already aimed squarely at property owners and does not need to be modified for the LVT-for-infrastructure approach, except to admit that LVT, by itself, gives only partial compensation.

OWNER-OCCUPIERS

Investors will want to bring owner-occupied principal residences into the tax net in order to maximize the taxable increase in land values for each project, thus maximizing the number of infrastructure projects that pay for themselves, and/or minimizing the LVT rate required to make a given project self-funding. To retain the support of investors, who are the more powerful faction, we must propose to bring owner-occupiers into the net somehow, and must sell that policy to owner-occupiers. Fortunately this can be done without difficulty or dishonesty:

So it may be that a seemingly moderate LVT rate would collect enough of the rental value of land to defray the whole cost of government

DON'T completely deny that owner-occupiers gain from increases in land values.

DO make a distinction between speculative bubbles and the benefits of infrastructure, pointing out that

speculative increases in land values do not reflect increases in amenity and are offset by higher prices of alternative sites in other areas, whereas increases due to infrastructure are accompanied by increases in amenity and are confined to localities serviced by the infrastructure, so that the owners can either enjoy the increased amenity or sell and move at a profit.



**an alliance between
geoists and land owners
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nance would require sensi-
tivity and tact**

Note: The above distinction is spelt out for the first time in our submission to the Queensland electricity review (<http://grputland.com/subs/pavedsd.htm>). In earlier writings I have denied that home owner-occupiers benefit from property bubbles, but the restrictive context may not have been obvious.

COMPLIANCE COSTS

No taxpayer -- not even a parasitic land speculator -- likes compliance costs. So:

DON'T forget property investors when complaining about compliance costs.

DO point out that it is more convenient for a small-time property investor to pay a land tax bill than to keep records of rental income, interest, depreciation of buildings and fittings, other rental deductions, capital gains, capital expenditure, stamp duty, etc.

RATING SYSTEMS

Concerning the argument about capital-improved-value (CIV) vs. site-value (SV) rating:

DON'T trumpet the conventional geoist line about CIV giving a lower rate to developers and speculators at the expense of home owners. (But equally well, don't complain if developers and speculators trumpet the same line in view of the following.)

DO explain that because new infrastructure adds to land values but not building values, rates on land values encourage governments to provide infrastructure, while rates on building values do not; hence, for the property owner who wants the infrastructure, SV rating is a better investment.

HOUSING AFFORDABILITY

Concerning renters and first home buyers:

DON'T complain about first-time buyers being priced out of the market by investors.

DO point out that LVT forces land owners, including investors, to build on their land and add to the supply of housing, improving the competitive position of first-time buyers and tenants relative to sellers and landlords. After all, Howard and Costello get away with similar talk in relation to negative gearing.

DON'T talk in terms of reducing prices and rents.

DO talk in terms of tax reforms that allow faster economic growth, of which the benefit can be shared between all parties, so that improving both the absolute and relative positions of buyers and tenants can

leave sellers and landlords better off in absolute terms, although not in relative terms.

INFLATION

The present tax system is inflationary because (a) the under-taxation of land-like assets leads to speculative bubbles, which in turn increase the money supply as people borrow against speculative asset values, and (b) all productivity taxes feed into prices. In contrast, geoist taxes (a) discourage speculation, and (b) don't feed into prices. While the LVT-for-infrastructure model leads to rapidly rising asset values caused by improving infrastructure, the associated expansion of the money supply is *not* inflationary because it is accompanied by -- indeed ultimately caused by -- greater production of goods and services.

However, it may not be obvious that one cause of rising asset values is inflationary while another is not, and we certainly don't want to give property owners the impression that we are opposed to rising asset values in general. So I suggest:

DON'T emphasize borrowing against rising asset values as a cause of inflation -- but, if asked about it, explain that the cause of the rise in asset values also matters.

DO trumpet the fact that geoist taxes are not passed on in prices.

What about the fact that geoist taxes are not passed on in rents? I don't think we have to worry about that. If property owners want land tax to finance the infrastructure that increases the value of their land, they won't go around saying that land tax is passed on in rents.

INTEREST RATES

Now comes an illustration of how **some of what purports to be moral opposition to land taxation is actually driven by pecuniary interests**

the LVT-for-infrastructure paradigm takes some getting used to. On p.9 of the May-June issue, I

wrote: "Geoist land policies, by reducing the return on a major asset class, tend to reduce interest rates across the board." While that was a perfectly orthodox thing for a geoist to say, it isn't quite right, because the LVT-for-infrastructure model actually promises *increased* returns to property investors, albeit by a productive mechanism.

Of course, the disinflationary effect of geoist policies would remove the need for central banks to drive up real interest rates above the natural level, but the effect of the land market on that natural level would be positive, not negative. I'm inclined to think that the disinflationary effect would be dominant, so that long-term average interest rates would fall. But, to guarantee this, we might have to invoke other policies such as implementing monetary policy through compulsory saving rates rather than interest rates.

So at the time of writing, I'm inclined to say:

DON'T make an issue of interest; but

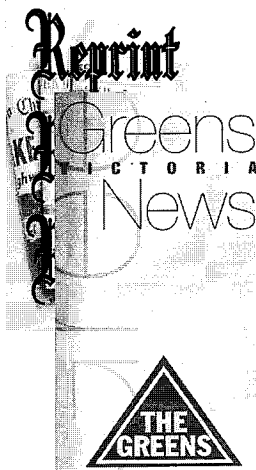
DO be honest with anyone else who makes an issue of it.

LESSER ROBBERS

That quote from the May-June issue is from the article "Which robber?" All of the "lesser robbers" mentioned in that article have two things in common: they stand to gain from faster economic growth, and they don't stand to lose from geoist tax reforms. Accordingly, as I said at Prosper's Annual General Meeting on May 6, they should all support the LVT-for-infrastructure model as readily as any other geoist model.

Some time later I saw a possible impediment: While we are trying to ingratiate ourselves with the land power, can we afford to have lesser robbers attacking the land power in order to deflect public criticism away from their own rent-taking? Later still, I saw what may be the solution: If the land power supports the LVT-for-infrastructure model, it can defend itself by saying, "We share our economic rent with the community through LVT. How do you share yours?" To which the lesser robbers might respond, "But you still take more rent than we do, even after tax!" But as long as both sides are using geoist arguments and espousing geoist policies, that is not our problem.

Of course it would be unethical and suicidal for a single geoist organization to be advising both sides of that debate. But there is no ethical reason why there should not be some individual geoists on one side and others on the other side -- or, for that matter, one geoist organization on one side and another on the other side. After all, we are used to a political landscape in which the Radicals purport to represent labour, and the Tories purport to represent capital, and the land power controls both sides of the debate. Perhaps, in the political landscape of the future, the Radicals will be the lesser robbers, campaigning for a Mill tax or full site rent collection, while the Tories will be the land power, defending the established LVT-for-infrastructure policy and demanding tighter controls on the lesser rent-takers. And geoists will control both sides of the debate. ■



Mr. Ed managed to get this article in the Winter 2004 edition of the Victorian Greens News

THE ULTIMATE ECO-TAX

Countless indigenous peoples and social philosophers throughout history have reiterated the ageless wisdom that it's plain wrong to own land. Land is the gift of nature, and should be the equal and common birthright of all humanity, yet we find that it's bought, sold, and monopolised like a mere commodity.

We don't just refer to agricultural land. The locational value of urban land is built up by the amenities and services provided by the surrounding population and its tax-funded infrastructure. By rights, land-owners should repay society for their exclusive use of such valuable land, and a system of regularly assessed land value taxation (some call it community ground rent) is the elegantly-simple means.

By tapping into this natural and equitable form of public finance, we would be able to phase out punitive taxes on honest (i.e. non-speculative) wealth production. In other words, "Pay for what you take, not what you make".

Henry George (1839-97) is the inspiration for a revived Georgist (or Geoist) movement which has again taken up this noble cause, and is calling on fellow Greens to go further in their proposed tax reforms. As well the current eco-taxes on air, water, logging, mining and fishing rights, we should be advocating taxes on users of:

- land
- the electromagnetic spectra
- air flight paths and geostationary orbits
- any other part of the Global Common (e.g. as the Dark Night Society proposes, there should be a tax on annoying security spotlights, on stadium lights which upset nocturnal animals, and on any lights which obscure the stars)

But land is the Biggie. Because of its unique qualities, land value taxation (LVT) encourages us to put land to its optimal use thereby minimising urban sprawl and wasteful agricultural practices. Similarly, LVT prevents land speculators from holding land idle in the expectation of future, ill-gotten gains.

At the moment, we're born on to a planet where "all the seats are taken" so that we have to pay the former generation for permission to live. Rising land prices are not "healthy" or "buoyant" for the economy -- rather, it makes the whole problem worse. However, when society collects the full rent of land, the market price of the land (not the improvements on top of it) will have been reduced to around zero (brevity disallows an explanation).

When the economy is turned right-side-up, there are lots more spin-offs, including important environmental safeguards. Furthermore, both tax collection costs and compliance costs will be a tiny fraction of the immensely wasteful burden they are today. And tax evasion will be a thing of the past -- you can't hide land!

Gone, too, will be the intrusive practices of the Tax Commissioner, prying into all aspects of our activities. We should be monitoring carefully those who use natural resources, not people's personal affairs!

We could also afford to invest in public infrastructure such as public transport, as the enhanced land values which result will be "recycled" back into the public purse, rather than enriching landowners.

We belong to the Earth, not vice-versa! ■

Prosper Australia Executive**President**

Maurie Fabrikant
(03) 9512 4869
fabmelco@optusnet.com.au

Vice-President

Lloyd Churches (our web maestro)
(03) 9457 2677
lloyd@prosper.org.au

Vice-President

Bruce Every
(03) 9848 1489
bevery@optusnet.com.au

Secretary

Anne Schmid
(03) 9729 2379
anneschmid@optusnet.com.au
office@prosper.org.au

Treasurer & Progress Editor

Karl Williams
(03) 9754 8356
kwilliams@rabbit.com.au

Public Officer

Bryan Kavanagh
(03) 9803 5607
bryank@earthsharing.org.au

Other executive members:

David Barkley
(03) 9890 8216
barkleydavid@yahoo.com.au

John Poulter
(03) 5259 2790
jjwp@bigpond.com

Sheila Newman
(03) 9783 5047
smnaesp@alphalink.com.au

Jill Quirk
jillquirk@bigpond.com

Karl Fitzgerald
swymap@onthe.net.au

Geoff Forster
9836-4245

Kostas Antoniadou
kostasa@reynolds.com.au
9535-2222

Communications Officer

Gavin Putland
(For current contact details
see www.grputland.com)

Australasian Sister Organisations**Land Value Taxation Society of Australia**

National Executive Director:
Peter Consandine
Secretary/Treasurer: Kerry McNally
PO Box 843 Castle Hill NSW 1765
(02) 9899 5474 fax: (02) 9894 5686
ecotaxreform@lvtociety.org
www.lvtociety.org

Association for Good Government

Chairman: Mr. John Booth
Secretary: Richard Giles
PO Box 251, Ulladulla 2539.
Tel: (02) 4455 7880
Fax: (02) 4455 7881
goodgov@optusnet.com.au

Site Revenue Society (Queensland)

Secretary: David Spain
PO Box 8115 Bundall Qld 4217
(07) 5574 0755
dspain@themis.com.au

Henry George League (South Australia)

Secretary: John Hall
26 Landsdowne Avenue
Belair SA 5052
(08) 8278 7560

Henry George League, Kimba

Mrs Betsy Harris, PO Box 286 Kimba
SA 5641

EarthSharing (Tasmania)

Secretary: Leo Foley
31 Brushy Creek Road
Lenah Valley Tas 7008
(03) 6228 6486
foleyl@tafe.tas.edu.au

Geogist Education Association (WA)

President: John Massam
Treasurer: Richard Hart
2 Plain Street, East Perth, WA 6004
(08) 9221 1973

Resource Rentals for Revenue Association

Bob Keall
45 Dominion Street Takapuna
Auckland, NZ
(09) 486 1271
takasec@xtra.co.nz

Major International Contacts**International Union for Land Value Taxation**

Suite 424 London Fruit & Wool Exchange, Brushfield Street London E1 6EL UK
iu@interunion.org.uk
www.interunion.org.uk

Robert Schalkenbach Foundation

149 Madison Avenue – Suite 601
New York NY 10016-6713
staff@schalkenbach.org
www.schalkenbach.org

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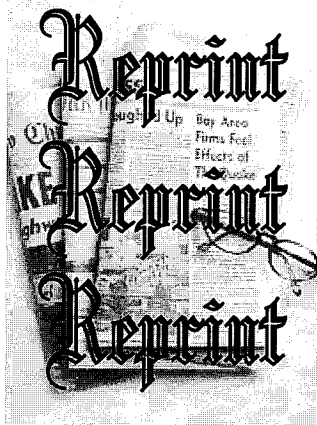
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ProsperAustralia
THIS LAND IS YOUR LAND

1/27 Hardware Lane
Melbourne 3000 Australia
Tel: (03) 9670 2754
Fax: (03) 9670 3063
office@prosper.org.au
www.prosper.org.au
www.earthsharing.org.au

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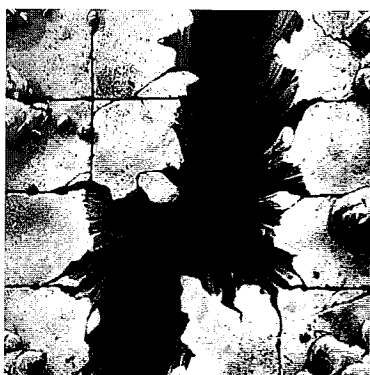


Homes boom widens the wealth divide

from The Sydney Morning Herald, July 10 2004

By Andrew Stevenson

A six-year surge in home prices is dividing the nation, with Sydney leaving the rest of Australia behind and a huge gulf opening up between rich and poor, according to a study of wealth data commissioned by the *Herald*.



with Sydney leaving the rest of Australia behind and a huge gulf opening up between rich and poor

In the nation's richest city - where a third of adults rent - the wealth divide between renters and owners has become a chasm that appears unbridgeable. Stark evidence of a big redistribution of wealth is revealed by a study of wealth data compiled by the National Centre for Social and Economic Modelling at the University of Canberra. Another divide has opened between older Australians,

The average property windfall delivered to Sydney's richest residents was \$227,000

who are more likely to own their own home and have investment properties, and the young.

In 1994 the average wealth of a Sydney home owner - expressed in 2004 dollars - was \$237,000; renters, on average, had assets of \$19,000, a spread of \$218,000. In a decade the gap doubled and home owners have \$482,000, dwarfing the assets of renters, who now have \$45,000.

Rory Robertson, a Macquarie Bank interest rate strategist, explains the transformation succinctly: **"If you owned two or three houses you just got a massive windfall; if you owned one you're basically square and if you owned none you just got screwed. And that, to some extent, was just an accident."**

Home ownership has always been a key marker of wealth in Australia. Sustained economic growth in the post-war period was matched by a rapid rise - to a peak of 71.4 per cent in 1966 - in the number of people owning homes. The current boom has been shared less evenly, particularly in Sydney, where one-third of adults are renters.

The average wealth of the richest 20 per cent of Sydney residents was \$450,000 a decade ago. The same people are now worth, on average, \$863,000 and are bearing down rapidly on millionaire status. The poor are still poor.

While the rich hold more shares, have more money in the bank and often own investment properties, the real change has come from their tax-free residence. The average property windfall delivered to Sydney's richest residents was \$227,000. In contrast, almost no one among the city's poorest 20 per cent owns a home, and their assets - now worth \$13,000 - are almost exclusively held in compulsory superannuation payments that cannot be tapped until retirement.

The data also confirms a view that the attention paid to income inequality may have been misplaced, argues Professor Julian Disney, head of the

Social Justice Project at the University of NSW. In fact, the bigger problems were in wealth, he said, and they were likely to be compounded in the next generation. "Inherited inequity, which is probably the thing we've fought hardest to cut down over the past 100 years - to try to give everyone a reasonable chance at birth - is really going to increase very greatly."

Government policy has fuelled the house price spiral, say the Productivity Commission and the Reserve Bank. The commission's report on housing affordability, published last month, found negative gearing, the halving of capital gains tax and high marginal tax rates had spurred on investment and pushed up prices. It

Another divide has opened between older Australians, who are more likely to own their own home and have investment properties, and the young

recommended an urgent review of capital gains tax and negative gearing.

The bank also says the tax treatment of housing investment is too lenient and has contributed to unsustainable home price rises, but the Federal Government has refused to review housing tax policy. Labor has also ruled out changes to capital gains tax and negative gearing. ■

Human equality is a premise of the universal ethic, which endows each person with the morally proper ownership of his own life, time and body. Our labour and fruits of labour are morally the property of the producer. But no human being created land, so equality implies an equal benefit from land, achievable by all sharing the economic rent of land.
- Fred Foldvary

THOMAS PAINE (1737-1809)

Thomas Paine is one of the recognised legends in the founding of the U.S.A. He was an author and revolutionary activist who took part in three revolutions. His role in American history, as well as in world history, is monumental.

However, it's debatable as to how much of a geoist Paine may be classed. He certainly had that characteristic geoist reformist zeal as well as being a fiercely independent thinker. I would have liked him to define better what he meant by property in his call for "property rights", but Mr. Ed is no great scholar of Paine. In his defence it must be said that, in the midst of all the epic events in which he became embroiled, Paine barely had opportunity to turn his great mind to geoist economics.

Born to Quaker parents in Norfolk, England, in 1737, Paine had only a basic education. He worked in a variety of jobs including English government positions, but was not very successful. As an excise officer, he was dismissed from the service after leading (1772) agitation for higher salaries.

His influence on American social and political thought began just before the American Revolution. Paine emigrated to America in 1774, bearing letters of introduction from Benjamin Franklin, who was then in England. Starting over as a publicist, he first published his *African Slavery* in America in 1775, criticising slavery in America as being unjust and inhumane. In April 1775, he helped found one of the first abolitionist societies.

Social issues interested him greatly, and he called for the humane treatment of animals (but it appears that he still devoured the flesh of dead animals!), and urged equal civil rights for women (but not yet suffrage).

He soon became involved in the clashes between England and the American colonies and published the enormously successful pamphlet *Common Sense* (1776), in which he argued that the colonies had outgrown any need for English domination and should be given independence. Out of 2.5 million people then living in the 13 colonies, about 500,000 purchased the pamphlet. In that same year Paine wrote the first of a series of 16 pamphlets called *The Crisis* (1776-83). These essays were widely distributed and did much to

encourage the patriot cause throughout the American Revolution.

In 1787 Thomas Paine left for England, initially to raise funds for the building of a bridge he had designed but after the French Revolution broke out, he became deeply involved in it. Between March 1791 and February 1792, he published numerous editions of his *Rights of Man*, in which he defended the French Revolution against the attacks of fellow Englishman, Edmund Burke. The four inalienable rights he named are liberty, property, security, and resistance to oppression. Its basic premises were that there are natural rights common to all men and that only democratic institutions are able to guarantee these rights. The book was banned in England because it opposed the existence of a monarchy. Paine strongly favoured self-government by citizens and was a life-long practitioner of American free speech.

His attack on English institutions led to his prosecution for treason and subsequent flight to Paris (1792), where he was elected into the National Convention. Though a true republican, he was imprisoned in 1793 under Robespierre because he had voted against the execution of the dethroned king Louis XVI. During his imprisonment the publication of his *Age of Reason* started, which was written in praise of the achievements of the Age of Enlightenment, and it was from this book that he was unfairly accused of being an atheist (he actually held liberal Quaker sympathies).

After his release he stayed in France until 1802 when he sailed back to America after an invitation by Thomas Jefferson, who had met him before when he was minister in Paris and who admired him. Back in the United States he learned that he was seen as a great infidel, or simply forgotten for what he had done for America. He continued his critical writings, for instance against the Federalists and on religious superstition.

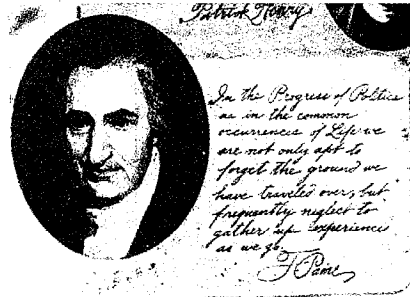
Thomas Paine was incredibly outspoken for his times and, mainly for this reason, was not well liked in any country, even in the U.S.A. where he had wielded vast influence over its establishment. Yet, mainly because of the sensibilities he offended, he died in poverty in New York City in 1809, only to be recognised and revered some time after his death.



T. Paine

"But how often is the natural propensity to society disturbed or destroyed by the operations of government! When the latter, instead of being engrafted on the principles of the former, assumes to exist for itself, and acts by partialities of favour and oppression, it becomes the cause of the mischiefs it ought to prevent."

"All the great laws of society are laws of nature"



"Men did not make the earth it is the value of the improvement only and not the earth itself, that is individual property Every proprietor owes to the community a ground rent for the land which he holds ... from this ground rent I propose to create a National Fund, out of which there shall be paid to every person a sum."