SITE REVENUE SOCIETY (QUEENSLAND) INC.

PO Box 8115
GOLD COAST MAIL CENTRE 9726

Secretary: Phone (07) 5574-0755
Fax.: (07) 5574-0855

SITE REVENUE: KEY TO ECONOMIC SANITY

by David William Spain. B.A. LL.B. LL.M.

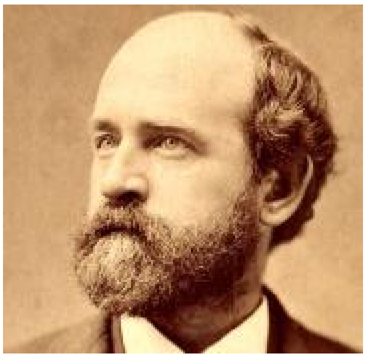
"The land shall not be traded for ever, for the land is mine: ye are strangers and sojourners with me".
-- Leviticus 25:23.

1. Overview:

Strangely enough (amongst all the noise & uproar), there *is* a simple, calm solution to all the economic, political & social ills which afflict & confuse human societies upon Earth, and substantially the environmental ones too. This solution is the **foundation bedrock for sustainable civilization** on any planet. Perhaps it is, indeed, necessarily inherent in the spiritual unity of a Creation spun in love & intelligence that such a solution should exist. At one blow this solution eliminates that single original distorting abuse, which is the partitioning of the global commons and its allocation to the strong, the rich and to those who pay inadequately for the privilege. As a result of implementing this solution, wars, poverty and the entire welter of government interventions designed to tinker with the ensuing distortions become unnecessary.

This solution provides a "**sovereign remedy**" which is breathtaking in its elegance but is highly complex & multi-faceted (in its detail & effects) when closely studied: it is not simplistic just because elegant. The reason that this solution is ignored, even deliberately suffocated by almost all academics & politicians, is that they have surrendered integrity & intellect to careerism & vested interests. Thus, you will never see a reply to this analysis, which is irrefutable.

The solution is **Site Revenue ["SR"]** [1]**,** which is sometimes termed **Land Value Taxation**. SR is the collection by the community of the annual rental value of all sites privately occupied. That rent will vary from site to site, depending on its location & productivity. The resulting fund must be the sole source of public finance, replacing all taxation (direct & indirect) and deficit-budgeting by governments. SR ends all imposts & excises upon initiative, employment, earnings, goods, services, imports, exports, documents or transactions. SR is not a tax and roundly condemns all taxes: it is, rather, collection by the public of payment for services rendered.



Henry George
1839 -1897

SR has been endorsed by great thinkers over the ages[2], especially the great American political economist Henry George in the 1880's, whose alternative vision has been trampled ever since by greedy & profiteering forces. The Bible[3] is redolent with denial of private monopoly over sites: the Jubilee of the ancient Jews broke up the large estates every 50 years without compensation. SR is not merely a fiscal device, although this is its method of executive application. Rather, it reflects & honours a fundamental principle: that humanity did not make the Earth so it is not theirs to privatize. Unless this primary principle is honoured, unless humanity establishes the correct spiritual, legal & economic relationship with the land & its resources, both the planet and civilization will be blighted. So beneficial is the effect of collecting SR that it would be better to collect it and throw the money in the sea than not to collect it at all.

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1 First propounded in detail by Henry George in *Progress and Poverty* (1879); *Social Problems* (1884); *The Condition of Labour* and *Protection or Free Trade* (1886) and *A Perplexed Philosopher* (1892).

2 E.G. Rousseau, Spinoza, Voltaire, Tolstoy, the French Physiocrats, Paine, Jefferson, Cobden, Carlyle, Mill, Churchill & Einstein

3 "The land shall not be traded forever; for the land is mine" (Leviticus 25:23); "The profit of the earth is for all" (Eccles. 5:9). The privatization of land (essential to all human life) and trading in it may be seen as a primal sin, a Pandora's Box from which hosts of evils arise. See Verinder My Neighbour's Landmark at http://www.grundskyld.dk/w-Landmark.doc

2. "Sites"

Sites are areas or volumes defined by surveyed metes & bounds, or quantities of natural resources. Sites may exist upon or under land or sea, in the air or atmosphere, in wavelengths or in satellite orbits. Sites have a wide variety of uses, such as homes, shops, factories, mines, moorings, radio & TV frequencies and geo-stationary footprints. Sites include the right to extract natural resources, both renewable (e.g. fish & timber) and non-renewable (e.g. minerals & oil), and to pollute land water or atmosphere (e.g. by emission of exhaust gasses).

Access to sites is essential to human life & economic functioning. Yet humanity did not make any sites: they were given by Creation (or by God, for those who accept a personal Creator). To permit private ownership of sites, as if they were chattels, is a fundamental evil which effectively enslaves the landless labourer. Site values are a public asset, but, when they are allowed to be privatized as an unearned windfall, holders of valuable sites 'grow richer in their sleep' to the detriment of the Commonwealth.

Once the "mailed fist", the apathetic or greedy public, or governments allow the free or cheap occupation of sites by those who come first, or have the most wealth or power, then manipulation & profiteering ensue and a free market is impossible. Those who hold the sites, without paying the rental value to the community, charge others a premium ["rack-rent"] for access to locations & resources essential for livelihood. At present site-holders are demanding & receiving, but not paying (or fully paying) for a service: the community upholding their exclusive dominion over a portion of the commons. This failure allows site-holders to capture & pocket a rental value they did not create, from which enormous evils result.

This does not mean that individuals should be forbidden privacy & security in sites. Common sense and the collapse of communism indicate that citizens' exclusive use, as distinct from State ownership, over specific sites is essential for devoted effort & investment. A democratic spirit and avoidance of elitism & tyranny require all the "children of men"[4] to have equal access to sites. In a modern, complex society, *physical* division & redistribution of sites to secure equal rights is impossible. Nevertheless, such rights can be achieved *economically* by requiring holders of sites to compensate the rest of the community for the rights of exclusive use ["monopoly"] granted to them over sites of varying value. Such exclusive use may be indefinite (freehold), or for a specific term of years (leasehold), or even measured by the hour (parking meters). Where (quite properly) a community grants to individuals exclusive use over specific sites, and where there is competition for sites (rather than ample land free for the taking), then that community must collect the SR (that is, the rental-value) of those sites, for public purposes. In default, economic confusion, social disruption and environmental degradation inevitably ensue.

3. Rental Value of Sites

The rental value of a site represents the market value (varying from time to time) of the exclusive use over it as granted by society. In economic reality, this largely represents the value of the 'suite' of services supplied by the community & benefiting that site, but speculative values also arise when private profiteering in sites is enabled. It is important to note that SR only collects the rental value of <u>bare sites</u>, as distinct from <u>improvements</u> to them. Improvements always should remain entirely the untaxed property of those who labour & invest to create them, and can be used as security for loans. Sites in themselves would cease to provide any collateral security to lenders. Under an SR system, all those whose securities currently depend upon site monopoly would incur prudential exposure and possible loss.

In time, certain improvements, such as the draining of swamps, the filling of recesses, the clearing of vegetation and the application of fertilizers, tend to merge with the land such that the original natural quality of the site is forgotten. All Australian States now distinguish between improvements on land and improvements to or of land[5]. It may be that where a building is badly deteriorated, or has become completely unsuitable for the type of development taking over an area and must be replaced to make the site viable & competitive, then demolition costs must be deducted. However, a negative site value should not result.

The rental value attaching to any specific site (as distinct from its improvements) is **not created by the siteholder** but rather **(i)** by Creation which endowed sites with fertility, mineralization, vista, topography etc. and **(ii)** by its location & zoning in the community. It is the <u>community</u> which makes sites economically valuable: sites in a desert or uninhabited land have no economic value. It is <u>community</u> expenditure on infrastructure that swells land price and so accrues to the benefit of the site-holder rather than the public. Site values are highest where there are the greatest concentrations of population, productive enterprise and commercial activity. Mass migration of population from a major city to a new location would see a fall in land values in the major city and a surge in land values at the new location. Site values tend to be lowest when remote from commercial centres and exposed to high transport & communications costs.

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[4] 2 Ps. cxv. 16

[5] For this distinction see the dissenting judgment of Isaacs J. in *McGeoch v. Commissioner of Land Tax* 43 CLR 277

Location must be considered as regards proximity to institutions (hospitals, universities, schools, museums, churches), services (e.g. libraries, police, fire & ambulance), transportation (rail, busses, freeways), utilities (water, gas, electricity & transport), facilities (parks, employment) and private resources (e.g. retail shops). There may be downsides, such as noise, odour & flooding. There will be site-specific factors such as size, frontage, orientation & accessibility. **Zoning** governs permitted & permissible uses, development potential and population density.

The rental value of a site in the free market can be readily ascertained & bureaucratically set by university-trained **valuers** who study the transfer prices of land & improvements and discern the influence of various contributing factors. The valuers would change & correct assessments continuously, dynamically & systematically. There would be appeal to specialist Land Courts. Politicians would have no involvement with the valuation process. Subjective valuations (such as attachment to a childhood home) are ignored.

Ultimately, each valuation of a site's annual rental value must be justifiable as compared to similar sites locally and across the broad economy. This data is collected from the compulsory nationwide sale/rental reports, as cross-checked against information from brokers, auctions, the press, advertisements, land developers' brochures and advice from banks & finance agencies. To avoid corruption and ensure transparency, the annual rental value of all sites should be **displayed by each local authority continuously & publicly upon maps** which are readily accessible at town halls & by internet. These maps would show interactively cadastral (property boundary), topographical & town planning (zoning) information, so that the factors informing site value are readily apparent.

Valuers use two methods to quantify the SR payable. Under the **Sales Comparison method**, valuers study prices paid for sales & leases of improved lots and amass, digest & swap data concerning them. They continuously compare this data to sale prices for vacant (or demolition) lots. Thus they are able to establish approximate **"benchmark" values for particular types & sizes of sites** in various localities & zonings. They then create adjustment tables showing percentage multiplier effects which various conditioning variables are shown (by market data) to have upon the vacant site benchmark values.

The **Land Residual Value method** involves deducting the value of improvements from the transfer price of each lot, so as to ascertain the bare site value. The value of the improvements (e.g. buildings, orchards, dams) can be defined with a high degree of accuracy by reference to current construction costs & depreciation schedules. Such costs (which are constantly reviewed) are themselves gathered from construction contractors, materials estimators, insurers & financiers. If unusual improvements are involved (e.g. gold taps) then that is a relevant factor that a purchaser will rush to disclose. Rights of entry & inspection make this method rather invasive & laborious, but it is a valuable double-check.

After deducting the value of improvements from a site's transfer price, one is left with the price paid for the bare site This price should always approximate nil. In reality, absent the madness of gambling speculation, land price is only a crystallization of future rental entitlements or expectations. If any site transfers for a price above the value of its improvements, then inadequate SR is being collected from that vicinity: consequently unearned increments are being pocketed (at public expense) by site holders. If a site transfers at below the value of improvements then the industry of the site holder, in making improvements, is being unrewarded because too much SR is being collected. In this sense, SR is capitalized and is capitalized in such a sum as exactly & equally balances what would otherwise accrue as land price.

Rights to exploit **renewable & non-renewable resources** (such as fish stocks, state forests, coal and minerals) over appropriate periods would be auctioned, according to sustainable quotas, by the relevant licensing authorities with the money being applied to cover all expenses involved in scientifically studying, monitoring, protecting and improving the stock. The auctions may bid to pay royalty rates set to volume & quality of ore extracted. Prospectors who locate mineral reserves should be remunerated by the State but not otherwise acquire rights to exploit those reserves.

Where the sites are **electromagnetic frequencies & geostationary orbits** SR should be collected nationally by regularly auctioning licences to the highest bidder. In no instance should such sites be leased at fixed rentals for long terms, let alone sold as private freehold, since global communications & freedom depend upon their remaining essentially open commons.

The SR attributable to **pollution from fossil fuels** & industrial fumes should be collected at the pump (or by measurement at smokestack), the "rental" amount being the market cost of planting & maintaining forests to sequester (lock up) the gasses emitted in useful carbon sinks. The cleansing action of oceans should be ignored for purposes of this equation. Such amounts must be applied to reforestation, or -- if land for reforestation ceases to be available -- to development of renewable energy sources (with all associated intellectual property being in public domain), and not be absorbed into general revenue: the current "carbon credit trading" model is quite wrong.

Sometimes, intensive demand for use of the commons may prevent or spoil usage by others. Examples are flight-paths, driving in the CBD, urban parking spaces, footpath café tables and crowded board-riding waves. Even although such usages are measurable by the hour and may involve moving rather than static spaces or volumes, they constitute an effective privatization of the commons and government is obliged (not just entitled) to issue licences & collect the SR. In such instances, the SR is set by the free market at that figure which reduces demand to a comfortable minimum.

4. Current forms of Revenue-Raising

Globally at present, public revenue is raised by varying, complex & arbitrary impositions against earnings (income tax), levies upon exchange of goods & services (e.g. GST & sales taxes), transfers of property (e.g. stamp duty), employment (payroll tax) and the production or importation of goods (excises & tariffs). All of these are levied against an indiscriminate amalgam of income arising from, or transactions involving, the three sources of wealth, to wit labour, capital and land, although only the last of these is unrelated to human effort. Indirect taxes, such as sales taxes & tariffs, are hidden from public view and are particularly pernicious. In 2007 Australia collected less than $40 billion from taxes on "property" in 2007, even although publicly generated land rent was $325 billion: labour and capital was fined $285 billion for daring to work[6].

All **taxation distorts the economy** by suppressing & warping the object taxed. If labour is taxed, it diminishes its effort or emigrates. If capital is taxed, it can flee the jurisdiction (perhaps to operate as an offshore company in a tax haven). If transactions (such as land sales) are taxed via stamp duties, efficiencies are curtailed. Similarly, income taxes constrain effort & initiative, payroll taxes constrain employment and tariffs exclude cheaper goods. In the Middle Ages, the European authorities raised revenue by taxing chimneys & windows: as a result, folk built houses without any. When Muhammad Ali, the Ottoman ruler of Egypt 1805-48, imposed a tax on date palms, the peasant farmers cut them down. (Incidentally, replacing this impost with a tax on land of twice the amount produced no such result: indeed, the farmers had incentive to grow more palms so as to raise the revenue to pay the tax). Various forms of **subsidies** also distort the market. Thus, first home owner grants foster a general increase in house prices, and negative-gearing (which allows income-rich investors to tax-deduct interest paid on borrowings) facilitates the rentier class outbidding battling home buyers, locking them into tenancy.

Such taxes, and the rates of levy imposed under them, are relatively arbitrary and are necessarily complicated in order to reduce avoidance. This leads to evasion and complex litigation in which even the highest courts are severely divided. To make things worse, modern governments often (effectively) **conscript or enslave** citizens by forcing them to collect & remit GST and self-assess tax liability. This process is tremendously wasteful, & inefficient involving personal downtime & red tape. Instead of continually tinkering with piecemeal adjustments, one should roundly condemn all taxes, roll up the entire taxation system and flick it away like a bit of snot.

In healthy contrast, SR creates no distortions or economic inefficiencies since it does not change economic behavior. As the demand for sites grows, so their rental value increases enormously. Yet the supply of sites is fixed: sites cannot react to taxation by changing their nature or leaving the jurisdiction. SR, as pure site rent not involving improvements, is in the nature of a “surplus” which can be taxed without affecting production incentives[7]. Unavoidably, people will still occupy & use sites (whether as proprietors or tenants) because they must live, work and obtain resources somewhere. Apart from rendering unnecessary a range of artificial & parasitic bureaucratic, legal & accounting services, SR does not affect demand for employment or for goods & services.

Reflecting 19th century awareness, vestiges of SR still exist in **state Land Taxes** and the **rating systems** of Queensland & NSW, which latter in limited part reflect the unimproved value of each lot. Thus, to some extent, these states collect betterment values (and compensate worsenment) accruing to lots due to community expenditure or usages. Unfortunately, the purity of these vestiges has been adulterated by collection of far less than the whole betterment, exemptions, notional aggregations, thresholds, imposition of a series of user charges and Commonwealth subsidies. The rating vestige has been almost totally destroyed in Victoria, where the value of improvements is a factor in setting rates.

5. Implementation of SR

Aside from absence of political will (caused by the antipathy of selfish vested interests and the ignorance & indifference of the mass public), there is no substantial impediment to implementing an SR regime. In most advanced countries sites are defined by cadastral survey and the requisite administrative & financial infrastructure is already in place at local government level (collecting rates in respect of lots).
SR in respect of land & water-based sites should be collected by local authorities, which would retain a share and remit the balance, in proportions agreed at annual conferences, to State & Federal levels of government. This decentralization of power is healthy as it would curb the distant elitist insensitivity of politicians by empowering local communities and place a valuable emphasis upon their role in the Commonwealth.

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6 Australian Bureau of Statistics Catalogue No. 5506.0
7 Paul A. Samuelson Economics -- Australian Edition McGraw-Hill 1955, 1967 ed. p.594

SR should be collected entirely, not by staged increments, as of next 30th June. There should be **no gradual phasing in** of the new system as this obfuscates & insults the primary principle, treats the reform as merely a fiscal mechanism, and would create confusion & complexity. **No exemptions** are allowed (even for charities, churches, hospitals & schools -- as these should be accountable & efficient in their site use), save for completely unenclosed sites open without charge to the public (such as roads, beaches & parkland, and public libraries & museums which are only 'enclosed' for preservation & security reasons). The Crown itself should pay SR in respect of sites (e.g. office buildings & commercial timber reserves) held by its departments & agencies, since this encourages efficiency & accountability and curbs waste.

Payment of SR **cannot be avoided, evaded or manipulated**, since sites and their worth cannot be hidden via trusts, offshore payments and sleights of hand. It would form a first charge against each site and would take priority over all mortgages and claims in bankruptcy.

SR should be easy to pay anyway, as it only amounts to the return to the community of an excess income derived from the locational advantages of each site. It applies to each siteholder, regardless of wealth or income. Non-payment of the Site Revenue constitutes a debt, not (in itself) a ground for eviction. In cases of **genuine hardship**, enforcement of the obligation could be granted (against the security of the improvements) over a period until the prosperity flowing from wholesale economic rejuvenation brought improved incomes. If any current siteholder (e.g. an 'old widow') was unable to pay the SR, same would accrue secured as a community charge over value of the improvements on site and registered against the land title: this would be payable on death and so be visited against the heirs' inheritance.

6. The Benefits anticipated in a Site Revenue Society are:

Generally: SR enables all people globally to use sites for their legitimate activities, freed from taxation, the unearned pocketing of locational values & plundering of the natural environment, and to contribute to society's revenue the socially-generated wealth attaching to the site(s) for which they hold title. In this way that basic human right, equal access to global resources, would be secured, giving society a truly just foundation.

Economic: SR imposes a severe disincentive upon owning more land than one has to. It totally eliminates land speculation, which diverts investment from productive enterprise and causes economies to career on a boom-bust roller-coaster. Consequently, it encourages investment into productive enterprise (manufacturing, jobs, marketing & fulfilment of desires), thereby stimulating employment as new opportunities are opened and tax penalties cease. Because site price disappears, those requiring funds to improve sites will need to borrow less and interest rates will fall due to competition amongst lenders. There will be higher, tax–free wages & returns to entrepreneurs. The price of goods and services will be cheaper, due to competition & efficiency, but there will be added extraction & pollution costs. Wherever that price ends up (higher or lower), it will be a real economic price, which reflects environmental externalities (e.g. pollution & shortage of raw resources). Wealth would be economically (not forcibly) redistributed amongst all willing to work with hand or brain, achieving approximate equality within a generation. Within one generation SR would act as a great leveller to end the rich-poor gap and spread wealth evenly. Probably the need to labour would be much-reduced, liberating folk for higher artistic & spiritual activities.

Industrial: The bargaining-power of labour will be strengthened, since in an SR economy labour would have cheap or free access to marginal land and could choose <u>not</u> to work for others. This choice will exist at a time when site holders will be keen to employ labour so as to earn income and pay their SR, or else lose rights to their sites. This will give opportunity for co-operative ventures and foster co-operation between labour & capital, making unionism redundant. Unemployment was virtually unknown in Europe until the commons were enclosed by the rich & powerful, and it would again be unknown in an SR economy, which lifts tax penalties, rewards enterprise and stimulates new opportunities.

Environmental: SR halts environmental degradation by auctioning the right to exploit, and forcing responsible use of natural resources, with the proceeds of such auction being applied to amelioration & restoration. It requires a thorough & full accounting by those who exploit the global commons e.g. by pollution, devegetation and privatized resource-extraction: these abuses, together with price-rigging, government-conferred subsidies & special privileges, are the main evils of globalization. It rewards with rebates those who keep their land vegetated & attractive, thereby cleansing the air and visually-benefiting other sites, swelling their SR obligations. Landholders who retain or create vegetation (and so enhance the health, vista and rental value of other sites) may even receive rebates in respect of the visual amenity & carbon sequestration thereby supplied. Landlords (competing for tenants) and site-holders (keen not to devalue their improvements) actively will beautify their sites with vegetation & open space. By burdening all sites, including speculative, vacant & under-used inner-city sites, with assessments reflecting potential best-use, SR encourages consolidation and diminishes urban sprawl: this constrains blight of the countryside and facilitates transport efficiency. Because land price is destroyed, resumption of land for desirable public purposes becomes much more feasible. Laying waste to rural land (e.g. by over-stocking) would not be viable, as its SR would be assessed at original capacity or that of adjacent equivalent land and medium-term reduction in its ability to service that SR would force its transfer for below the value of its improvements. In any event, normal environmental laws, protecting flora & fauna, would continue to apply.

Social: Due to the equalization of bargaining power between labour & capital, there will be a progressive lessening of the gap between rich and poor, and the total elimination of private appropriation of the common wealth as a basis for that gap. The price of land & sites (as distinct from improvements upon them) will be reduced to near vanishing point, thus giving to **welfare dependents** easy access to unimproved land at the economic margins. Better housing & small businesses will result as money diverted from land price (i.e. from speculators & financial institutions as mortgagees) is applied to buildings & owner-businesses. There would be no need to stimulate supply of rental-housing by the crude artificial method of "negative gearing" (that is, allowing interest costs on monies borrowed to construct such housing being deductible against income). Thus, there will be a progressive eradication of those factors which contribute to the existence of the disadvantaged and a gradual elimination of slum areas and enrichment of family life.

Globalization: Protests about the diminishing of barriers & borders to international trade & investment are misplaced. These economic freedoms are essential for a global technological village, which requires cheap products and travel without borders. Globalization would be fine if SR were collected globally. A resurgence of trade protectionism & tariffs would be a disaster. The only real abuses of globalization arise from failure to collect SR, which collection is essential if competition is to be free. It is this failure which enables those who are at presently wealthy to bribe & manipulate governments (e.g. by perverting town planning schemes and by securing grants & concessions), to maintain an unrequited stranglehold on global natural resources & employment practices, to exploit & pollute the environment, to exploit & abuse workforces (especially in impoverished countries without unionization) and to avoid taxes by e.g. maintaining offshore corporate structures. Assertions that wealth "trickles down" from the rich are manifestly untrue. Other abuses arise from international economic & currency manipulation, so the SR reform must be accompanied by "free banking" where fiat currency is backed by real commodities[8], as used to be the case when paper currency could be exchanged for a fixed weight of precious metal. During the 1920's, this US paper dollar could be exchanged on demand for a silver dollar:--

As a result of failure to collect SR, it is possible for goods to be produced "cheaply" in unconscionable circumstances, for instance at great abuse to environment (as in China). Consequently, so as to protect global environment and local production, it may be appropriate to impose import duties upon some goods (depending on their country of origin & circumstances of production). Such import duties are a partial SR, collecting for instance the sum appropriate to redress environmental pollution, and the monies collected (after deduction of administrative overheads not exceeding 10%) should be remitted to the country where the goods originated and expended there upon environmental remediation.

7. Common Objections to Site Revenue:

Common objections to SR are that it is just another tax, that it is land nationalization, that it would be passed on to tenants, that it is communist, that it is capitalist, that it would rob homeowners of their capital, that it could be unfair or avoided, that it would be unfair to native peoples and that it would be inadequate for a modern state. These objections are traversed in this section, save for the last two, which have sections of their own.

Philosophically, SR is **not taxation** (i.e. not an arbitrary impost by government) or a penalty upon improvements. It is simply collection by the community of payment for services rendered, being the market value of rights (to exclusive use) granted by the community to individuals over the social & natural advantages of specific sites. Furthermore, that value is ascertained by skilled observance of the free market: it is in no way dictated by greedy, corrupt or partisan politicians. However, legally & constitutionally, it may be expressed as a tax collecting 100% of site value.

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[8] On this aspect, see our essay "Money, Currency, Interest and Banking in a Georgist Economy".

SR does not involve land nationalization: f**reehold land titles remain.** The SR debt is not rent (which implies that the land is owned by some landlord), although it is quantified by reference to free-market rental values. That debt is merely a charge over the site, as rates or a registered judgment are today. Holders of sites would be **free to use, transfer & devise** (by Will) their sites as they desire, subject to zoning & environmental restrictions now commonly accepted.

The **rental paid by tenants** would reflect the landlord's site revenue obligation (together with the value of improvements to it), which is only fair since the tenant is enjoying the locational advantages of the site, but competition by landlords for tenants would prevent excessive demands. Indeed, essentially SR reduces rents since it is payable whether the land is built on or not and whether or not any building is let to tenants. This forces owners, in order to generate income to pay the SR, to build & let dwellings, thereby increasing the supply of rental accommodation and reducing rents. By way of contrast, where the absence of SR facilitates speculation in land and keeping of sites vacant, house prices will soar (preventing renters buying homes) and rentals will rise. In the long term, SR cannot be passed on to tenants (so as to increase the costs of business), as tenants would then move to less-valuable sites leaving greedy owners without tenants and unable to pay the SR. "Competitive rents could not permanently be raised to land users"[9]. However, in the short term (where landlords would already be contractually entitled to rental under leases) it would be necessary to provide by statute that SR is excluded from clauses requiring tenants to pay land taxes or rates in addition, or for all rental "review to market" to be made within 12 months and thereafter as per cpi movements, with any necessary financial adjustments to be made from date of the SR reform.

SR is **not communism**: its core is personal liberty, there is no central planning of economic tasks, no conscription of labour, no arbitrary resumption of land and no confiscation of private wealth & chattels. The only thing which is socialized in an SR economy is the annual rental-value of sites. SR encourages private enterprise (by forcing efficient use of sites) but it does so by recognizing sites as a distinct factor in production and compensating the community in respect of exclusive use rights granted, so it is **not Capitalism** either. The essential core feature of Capitalism is that it treats sites as just another form of wealth and refuses to socialize their value. Site Revenue enables equality of opportunity and rewards effort: it is the inspired solution which stands at the apex of all political & economic organization[10]. **"That government is best which governs least"[11].**

	Communism	**Capitalism**	**Site Revenue**
Hallmarks	regimentation	privilege & poverty	prosperity & liberty
Control	by bureaucracy	by private monopoly	by free & fair enterprise and natural co-operation
Freedom/Security	are in conflict	are in conflict	are harmonised
Personal Wealth	determined by bureaucracy	often 'stolen' by speculators	retained by labour
National Wealth	natural resources disregarded	natural resources stolen from the commonwealth	natural resources are respected & socialized
Land	nationalized; therefore little commitment	over-exploited; due to treatment as a commodity	used as revenue base – protected & nourished
Land Prices	no land price or private tenure	price increases then deflates in boom-bust cycle	private tenure at nil price
Taxation	is arbitrary & complicated, increasing until economic 'bust'	is arbitrary & complicated, increasing until economic 'bust'	nil
Environment	state-'managed' or abused	generally mistreated	of paramount importance
Resource Revenues	are generally neglected	Disappear into a few private pockets	used to replace taxes on employment

9 Paul A. Samuelson Economics -- Australian Edition McGraw-Hill 1955, 1967 ed. p595

10 "Communism forgets that life is individual. Capitalism forgets that life is social, and the kingdom of brotherhood is found neither in the thesis of communism nor the antithesis of capitalism but in a higher synthesis. It is found in a higher synthesis that combines the truths of both" "A Testament of Hope: The Essential Speeches and Writings of Martin Luther King, Jr., p. 250.

11 This aphorism is often attributed to Thomas Jefferson, but was published first by Henry David Thoreau in his essay *Civil Disobedience* (*Resistance to Civil Government*), in 1849

It is true that, under SR, landowners would lose their **"capital land value"**. When the proper quantum of SR is collected, the price of sites would reduce to nil (plus value of improvements). However, this capitalization of land value is false in principle, the root cause of evil and (some would say) a core sin. No complaint can properly (intellectually or morally) be levied against its loss. The aged & mortgagees, who might never acquire another site or may hold current 'security' which will evaporate, may be affected by this "loss of land value". No public compensation will be paid against such loss since, quite apart from argument that capitalizing site price is theft, effectively there is none. Each citizen would be free to transfer one site (whilst retaining the value of its improvements) and to purchase another paying only for its improvements, without paying any 'site price'. The aged cannot take their capital to heaven and mortgagees will have time (starting now) to adjust whilst the SR analysis gains political acceptance: in default they will bring any loss upon themselves.

It is sometimes feared that specific individuals (e.g. pop stars, inventors, authors or professionals working from home) may become rich without needing access to valuable sites, thereby **unfairly avoiding** contribution to public revenue. These folk, however, are not using sites rendered valuable by nature or by the community: it is difficult to define anything for which they should pay, indeed, their very enterprise or genius may be stimulating and beneficial to the community in cumulative, spin-off ways not immediately apparent. In any event, they mostly live, work & play, or eat food & consume goods produced, from sites somewhere and so, as tenants or indirectly, will contribute to the SR collected.

8. Aborigines and Pre-Industrial Lifestyles

We should beware of **imposing cultural hegemonies**: the dominant capitalist, industrial, consumer economy should not necessarily exclude all other cultures. Wise land-use planning & zoning can protect first (native) peoples or specific groups (such as Amish, Hare Krishnas, Buddhists) who wish to live upon land, having exploitative or developmental value in the dominant economy, whilst retaining it in a primitive or pre-industrial state. Thus, for instance, an Amish community which uses no engines could be granted an appropriate zoning (for a reasonable area of land) with their site revenue set upon a pre-industrial basis.

However, in such instances there must be no hypocrisy. No industrial services or welfare payments should enter or 'assist' those who apply for **pre-industrial zoning**. Use of the land would have to be consistent with the terms of the privileged zoning granted. For instance, it might be that no roads, vehicles, electricity, telephone, chemical fertilizers or sprays, consumer goods, modern industrial buildings, radios, televisions, educational materials or medicines, tourists and the like, could be legally present in, or traded with, a 'pre-industrial' zone. The inhabitants of such zones would have to self-police the restraints and in default would lose the zoning.

Aborigines are particularly contentious in Australia. They should be treated equally with everyone else[12] and being treated as basket cases by Welfare agencies for decades has only deteriorated their potential. Whilst SR takes no objection to grant of collective native title over traditional lands -- indeed, this affords an excellent starting point -- , those granted such title should then pay the full SR. If an aboriginal community failed to pay SR in respect of its lands, it would lose them to someone who would. In the case of pastoral leases affected (pending their termination) by native title, both the lessees and the natives would be obliged to contribute towards SR, in a spirit & capacity of mutual equality and with neither discrimination nor favouritism.

There should be no exemption just because their forebears "got here first", which they didn't (for what this is worth). The Oceanic Negritos (with spirally tufty hair & short stature), who were of Melanesian stock, arrived during a prior glaciation and brought no dingoes. Despite Australian Aborigines being physically amongst the world's most variable people[13], there is no evidence of any Negrito component in their skeletal material[14], leaving a possibility from an anthropological viewpoint that they gradually eliminated & dispossessed the mainland Negritos (along the rich coastal strip & hinterland, at any rate), rather than colonized vacant space. If claimants have valid land rights upon ancestral grounds, can those rights be defeated if a challenger proves the claimant's forebears displaced by force his own ancestor? Is the entirety of the Australian Aboriginal claim to native title void if it is proven that their forebears, or unknown ones amongst them, drove out Negritos to seize the land? Should the Hurons be entitled to demand the return of lands from which they were driven by the Iroquois; the Sioux from the Chippewa? Should Europeans be ranked in order of their ancestors' arrival? In the USA, should Mayflower descendants and Hudson Valley Dutch have priority of claim before 19th century immigrants, followed by Irishmen and Germans, then the Jews & Italians of the next wave? In Australia, should First Fleeters rank above the influx of gold diggers and the £10 assisted passengers, and these above the postwar refugees and the Asians of modern times? Of course not: this is all nonsense.

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12 Consistent with the *Racial Discrimination Act* (Cth, 1975).

13 Josephine Flood *Archaeology of the Dreamtime* Collins 1983, p.68.

14 Flood, *ibid.*, p.69.

Aboriginal communities could apply for pre-industrial zoning, the same as other forms of community. In this way there would be no discrimination either for or against Aborigines. Whilst Aboriginal tenure over extensive tracts of marginal economic land in the deserts and north could be expected to continue indefinitely with little if any SR exposure, and whilst there need be no objection to Aboriginal tenure of 'valuable' sites so long as usage of same was strictly traditional, their retention of valuable economic sites in the broader economy would be subject to the same economic pressures (i.e. payment of SR) as anyone else, unless the lifestyle practiced there was 100% traditional.

Aboriginal rights to a management role in National Parks need not be affected. However, no special privileges should be enjoyed by Aborigines as regards mineral deposits, save for strictly traditional zones, where mining should be forbidden. Spot-zoning to protect sacred sites, free of SR charges, should be automatic. Licensing Aborigines to use firearms (rather than traditional weapons) for killing protected fauna on native title lands, is incongruous & should cease.

9. The Adequacy of Site Revenue:

Would the quantum of SR be sufficient for a modern state? In answering this, we should bear in mind that SR would foster productivity (thereby increasing available real wealth) and also minimize conflict and the need for supporting unproductive peoples (by ending unemployment & big government). The need for a welfare state and expensive governmental structures would be decimated in an SR society. When SR is collected instead of taxes, the economy can flourish without artificial restraint & distortion. In other words, there would be more public monies and less need for them.

All taxation is "at the expense of rent", since it diminishes the amount that citizens can pay for holding sites: if current taxes were ended, citizens could proffer more and further, would have more to invest productively. Theoretically, total SR would at least equal the volume of all present taxation, all interest payments and all speculative "capital gains" & locational profits going into private hands. Citizens are already paying the entire SR, and more, to landlords & banks. Thus, SR promises an embarrassment of riches. This could lead to regular payment of a Citizen Dividend, on an equal *per capita* basis. Such payments would be made to all citizens (including children), without a means test.

Ethically the amount of SR which might be collected is irrelevant. If SR is indeed the only proper source for public finance (as reason & equity indicate) then public administration must adapt to that supply. Government, or public administrators, must "cut their cloth according to their purse", by dividing the available cake according to priorities and limiting expenditure to what is available. Logically, the economy rests upon private monopoly over sites, so the rental-value of those sites should suffice for public expenditure in administering society.

Detailed analysis (derived from Australian Bureau of Statistics figures) of the value of privately held land & buildings, mineral extraction, spectrum licensing, pollution rights, flight paths etc. indicates that collection of SR would suffice to meet all the needs of modern government[15]. A more recent academic study with similar outcome is *The Taxable Capacity of Australian Land and Resources* by Dr. Terry Dwyer[16].

10. Treacherous Academics and Politicians:

The modern discipline of economics has been deliberately distorted by powerful vested interests so as to protect abuses arising from site monopoly. As a result, "reputable" economists have been bribed & coerced so it is rare for them to traverse Georgist issues. As they cannot reply to the SR analysis, they ignore it: hence the current Global Financial Crisis.

The current confusion of academic economists stems directly from the deliberate perversion of their discipline by powerful 'Robber Barons' in the USA at the end of the 19th century. These set up a string of universities and endowed Chairs of Economics which, with intent to pervert, derailed classical political economy in favour of Neo-Classical Economics ["**NCE**"]. NCE is a form of economics which set out to destroy the SR debate (so popular under the advocacy of Henry George after 1880) and clear perception as to the unique role played by sites. NCE achieved this outcome by ignoring sites as a separate factor in production and instead conflating sites with currency savings, machinery, buildings etc. as just another form of capital. NCE has been largely successful in its evil endeavour. For over a century, economists who perceived the truth have been howled down by peer pressure and sacked[17].

This treacherous, immoral & irrational manipulation of economic thinking by profiteering elites & puppet politicians has had **terrible consequences.** It has fostered private profiteering out of resource extraction and environmental abuse (ignoring responsibility to inter-generational equity). It has forced up home prices relative to income, entrapping families into mortgages and fattening banks. It has prevented folk having access to land, so causing unemployment & welfare-dependency and perpetuating a down-trodden class of the impoverished. It facilitates corruption in governments, brutal dictatorships (as in Africa), massive imbalances in national wealth and territorial tensions (e.g. posturing to control oil reserves).

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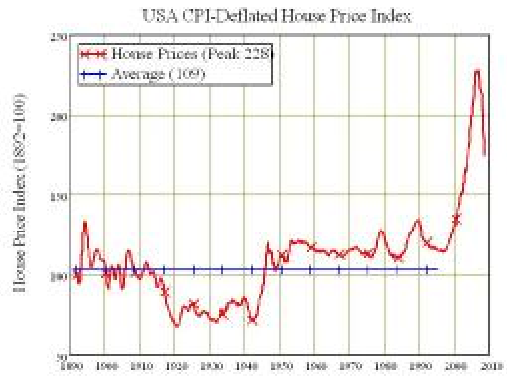
15 See Tony O'Brien *Total Resource Rents, Australia* available at http://www.earthsharing.org.au/node/5

16 Available at http://www.taxreform.com.au/dwyercapacity.pdf

17 See e.g. Professor Mason Gaffney & Fred Harrison *The Corruption of Economics* Shepheard-Walwyn London 1994.

Above all, confusion of sites (especially land) with capital, and failure to collect SR, creates **continuous boom-bust** conditions. It forces rents up and encourages speculation in land-price: this inflates artificial bubbles, against the temporary, artificial, fallible & unreliable security of which financial institutions make advances and so become exposed to failure, which the taxpayer is often required to remedy when wages are unable to pay mortgages. The bubbles burst when hard-pressed borrowers sell at a loss, whereupon prices of land & shares fall further. Banks then get scared about their balance sheets, credit dries up, folk cease to buy or to invest in productivity. Unemployment sets in, so folk stop purchasing many goods, production cools and resource prices drop. Institutions unload land & equity assets to meet debts & margin calls, and consumers (no longer able to access credit) pay down debt if they can rather than purchase, putting further downward pressure on prices. Local rates (based on property values) and taxes (levied against income) decrease, cutting services.



US house prices (as adjusted for inflation) soar then fall in 2008

Eventually, rock bottom is reached because, at the end of the day, humanity needs land & production: then briefly the true profitable productivity (yield) of companies and of land sites/buildings is reflected in their share price, without a speculative element. Booms commence hesitantly after a bust as property & share prices gradually recover, accompanied by rising commodity costs & easier money, until and interest rates rise (or are raised) to cool the market, whereupon mortgage defaults again reinvent the cycle. Thus are created regular "Kondratieff cycles" of boom-bust economy, which tend to last over "generational" periods of about 18 years unless interrupted by a war[18].

In an atmosphere where the discipline of economics is thoroughly corrupted, governments lose sight of their fiduciary duty and **attempt to regulate the inherent instability** arising from land monopoly (which instability they foster with one hand), by setting up with their other hand reserve banks which issue & buy government bonds ["**Treasuries**"] -- pieces of paper promising to pay a capital amount + interest at maturation, usually in 5-10 years -- in an attempt to manipulate monetary values & interest rates and hence to foster employment & price stability. When reserve banks feel forced to cool general inflation by higher interest rates (lest wages become insufficient for livelihood) then the availability of credit contracts, land prices become unaffordable & drop off the boil, speculators can't borrow to fund share transactions and share prices reduce.

The SR proposal **threatens vested interests.** These include the 10% who control 90% of the wealth – a control which is almost entirely due to the private pocketing of site values. Also threatened are many politicians, bankers, lawyers, accountants, media proprietors, bureaucrats, social workers and welfare dependents who are unwilling to shift for themselves. Parasitism upon environmental destruction and social disunity is widespread and such parasites have a vested interest in perpetuating it, rendering society a factional sand heap of individuals. Governments have been manipulated to enter unholy alliances against the interests of the public by privatising public infrastructure.

The test & evidence of this can be seen in the **deliberate exclusion of the SR analysis from national tax summits** (e.g. that of RJ Hawke in 1985 and from Kevin Rudd's 2020 Summit in April 2008), from the mainstream media, from school & most university courses, and from the invariable refusal of any expert to argue publicly against it. Treatment of SR submissions by the 2009 Henry review of Australian taxation remains to be seen. SR was a household concept a century ago, but confusion of debate by academics and a burying of the analysis by both wings of politics (lest it do them out of a job) has almost erased it from popular awareness.

Conservative **politicians** can be expected to protect their constituency, whose wealth comes from land monopoly. Sadly, even the Greens are too scared & confused to think clearly & act radically, so they support land monopoly. More worrying (in its betrayal of humanity) is that partial collection of SR was a salient theme during the formative years of **ALP politics,** promoted by unionists (not politicians) in the hey-day of Henry George during the 1890's[19]. Indeed its total collection was ALP policy in South Australia until 1905.

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18 See Phil Anderson *The Secret Life of Real Estate* (Shepheard-Walwyn Ltd, 2008).

19 See *passim* Verity Burgmann *In our Time*, Allen & Unwin 1985 and Airlie Worral *The New Crusade: Origins, Activities and Influence of the Australian Single Tax Leagues* 1889-1895 M.A. Thesis, Melbourne, 1978.

Taxation of the unimproved value of land was amongst the first federal policies adopted by the ALP in 1900[20]. However, the early ALP was bedevilled by factionalism with protectionists, free traders, single taxers & socialists all jostling for control and the clarity of principle became confused, especially given the need to win votes from a selfish & ignorant constituency. Workers' feared that SR would fall heavily on their little lots and that the rich man's large income would escape unscathed: in fact, these fears are what the rich man desires most, for his swollen income arises from site monopoly in the first place. A diversion into socialism became the priority and with this the masses became neutered by welfare state palliatives.

Worker-wavering over the viability of free trade, together with political pandering to workers' fears and the middle class, saw the introduction of "graduated taxes" & "thresholds" and the principle was eroded until in 1964 any reference to it was **removed from the ALP policy** reprint[21], without debate and for reasons that have never been stated. Perversion of the SR principle within the ALP demonstrates one of the great dangers of democracy: that unprincipled individuals will wish to dominate big parties and will tell the masses whatever they wish to hear, not the truth. In all cases those who sold out the ALP were politicians who did not understand the Georgist reform and were stupidly describing rent as a tax. They lacked the intellect to comprehend the argument and were emotionally scared off by the prospect of 'yet another tax' which would destroy their constituents' capital.

An excellent **leasehold system in the ACT** was adopted after Federation for the projected national capital in the daring & imaginative Canberra experiment. However in 1971 Prime Minister Gorton (in order to attract votes in a by-election) pandered to large commercial interests, betrayed the founding vision and terminated the regular reappraisal of ACT land values for rental purposes in favour of municipal rates, thereby enabling private capitalization of site values. This emasculation passed almost without comment: there was no longer any political grasp of the concept of unearned increment[22].

Partial or threatened implementation overseas indicates the accuracy of the SR analysis. Hong Kong under the British traditionally kept taxes low by collecting rentals on Crown land leases. From 1956-60 the Danish Justice Party, which advocated SR, held the balance of power in Denmark. SR legislation was passed and due to be implemented on the basis of new valuations in 1960, but at fresh general elections that year a massive scare campaign financed by landowners led to change of government and repeal of the law. Whilst the reform was pending there was huge reduction in public debt, unemployment, inflation, the interest rate and industrial strife. All of these soared again by 1964[23].

Yet only by inspiring the masses of impoverished, battling, ill-educated people is there much hope of democratic reform being demanded. Unfortunately, battling citizens fear paying more for fossil fuels and fear losing the apparent store of capital comprised in the 'site value' of their home – a value which they have admittedly paid to the previous owner, but which (in reality) they would not miss if they could relocate to other sites without paying site value for them. Thus are the environment, the Third World and future generations sacrificed to perceived self-interest.

Whilst it is the most benign form of government, **the limitations of democracy** can be severe: ignorant, apathetic voters manipulated by the media voting for their short-term interest, distortive electoral systems (especially single-seat electorates), and partisan politicians focused on their next term in power rather than serving with selfless principle. At the very least, political parties should be forbidden to fundraise (this fosters corruption), all electoral campaigns should be publicly funded with equal exposure for each candidate, and election must be by quota-preferential proportional voting in multi-seat electorates (the Hare-Clark system, as used for the Australian senate). At present, no answer or salvation is likely to come via politicians. A republic will not redress these limitations and a constitutional monarchy will only do so where the monarch has a veto against irrational legislation and is personally selfless, extensively aware, not materialistic and prepared fearlessly & publicly to advise, guide & warn -- qualities singularly lacking under the Westminster system.

20 This resolution was reaffirmed at the second Federal Conference, on the motion of delegate E. Holliday (from Queensland) an seconded by the Hon. A.A. Kirkpatrick MLC: see pp.9, 12 of Report.

21 See Clyde Cameron June & July 1984 *Progress.*

22 See Frank Brennan *Canberra in Crisis* Dalton, Canberra 1971.

23 See Knud Tholstrup in Good Government (December 1973 issue) and Progress, March 1974 p.3

10. Global Financial Crisis

The GFC, commencing in mid-2008, has been characterized by collapse in the value of assets held by major financial institutions, forcing injection of public funds to prop them up.

However much human weakness & greed is involved, the GFC has one simple basis -- site monopoly. The GFC could never have occurred in a SR society, where private profiteering & speculation in sites is impossible. Whilst there have been regular boom-bust cycles for centuries, in this instance unrestrained greed, easy credit and the interlinking of institutions both domestic & foreign, produced a major crisis.

Caught in -- and driving -- this mad speculation in site monopoly, banks lend money which is secured against meaningless, expanding-bubble values. Indeed, in the USA "subprime" mortgages were common, with 100% of the current bubble-value being loaned (even to people with dubious income) in the expectation the bubble would constantly expand. Worse, both these traditional mortgages and the subprime mortgages were "securitized" (bundled together) by lenders into **m**ortgage-backed securities ["**MBS**"] , given dodgy credit ratings and on-sold to trusting investors. As an undercurrent of this, insurers of these mortgages securitized & on-sold their insurance rights (to premiums) & obligations as collateral debt obligations ["**CDO's**"] .

Inevitably, the **bubble was pricked**, initially in the US residential real estate sector. As low-paid workers struggled to pay their mortgages then defaulted, so bank foreclosures & fire-sales resulted and residential land prices collapsed. A recessive spiral set in as unemployment grew, demand for goods & services declined and production followed suit. Institutions, not least banks, found that their MBS & CDOs were worthless "toxic assets". Some collapsed and others were saved by a massive injection of public funds. This desperate action was a frightening underwriting of moral hazard by a government, captive to vested interests, breaching fiduciary duty and sacrificing its "Main Street" citizenry to the "Wall Street" financial elite. This step is the ultimate in socializing (making taxpayers pay) private debt. In the USA, taxes are given to banks so they can foreclose on defaulters and hold houses empty: millions of homes have been abandoned & vandalized whilst their erstwhile inhabitants live in cars or camp on public land.

It would be better to allow banks to fail & liquidate, with fresh banks to recapitalize under **tighter regulation**, as occurred during the "Asian financial crisis" of 1997-1998. Governments & regulators are not necessarily responsible for such collapses, as improved regulation is often opposed by the industry & shareholders and is democratically unacceptable until the harsh lesson has been learned. Any re-regulation should allow "free banking", where banks would issue notes and allow redemption of deposits in precious metal (rather than, necessarily, national fiat banknotes). Commercial banking should be stringently separated from investment banking. Fractional reserve banking (loans exceeding credit) should be strictly regulated, directors should be personally liable for bank defaults, bank shareholders should be liable for calls equating to their initial share capital and shareholder approval should be required for director & executive salaries. In the share markets, naked short-selling should be forbidden and institutional lenders of shares should be obliged to require their return to a value at or above that at date of loan.

For a decade US industry has been increasingly unable to compete with Chinese & Indian imports, partially due to excessive US management costs but largely due to low labour & environmental standards in those countries. Consequently, the US balance of payments has been worsening, swollen by wars, Bush's tax cuts and pricey oil. This has been managed by the **Fed selling Treasuries** (bonds) to Asians and oil-rich Arabs & Russians. The only reason the US economy still breathes is that bond-buyers are addicted to the viability of the US$ -- if this collapses, their chance evaporates of recovering valuable redemption on earlier purchases of Treasuries.

In early 2009 the Fed tried using quantitative easing (i.e. printing cash) to buy up Treasuries and improve their price, but this trick only worked temporarily. To borrow cash, the US is now being forced to issue Treasuries at lower prices & higher yields: this will severely impact domestic borrowers, whose mortgage rates are often linked to Treasury yields. The US national debt of US$13tr. equals US GDP and exceeds world GDP & total US outlay on all US wars. Of this US$13tr. some $3.4 trillion must be refinanced in the next four years. As the US struggles with financial instability and as its housing starts stall & costs rise, currency investors are turning to more stable -- if lower-yielding -- currencies such as the euro, yen & yuan, making it even harder for the US to borrow. Some middle eastern countries have long demanded that oil be priced in euros, not US$. In mid-June 2009 the BRIC[24] countries at Yekaterinburg called for a "more diversified" monetary system to reduce dependency on the US$ as a global currency.

[24] Brazil, Russia, India, China.

The **Keynesian** concept that governments can simply inject money (e.g. by tax cuts, transitory handouts, public works & job creation ["**fiscal policy**"]), in order to overcome a recession, worked to some extent in 1933-1939 -- largely because WW2 eventually generated so much production & employment -- but only some 1% of GDP was injected, not 15% as now. Usually (in US & UK) these funds were injected by central banks, desperate to forestall collapse of major financial institutions and to stave off deflation, buying the "toxic assets", or taking shares in the institutions, or lending money at low interest rates.

These toxic assets are then placed at full notional value in the central bank's books, so that its asset register appears huge when in fact it is not. Worryingly, the funds injected soon did not come from taxes (which cool productivity) or from foreign bond purchasers (who are wary), but from the desperate step of "monetizing" aka "quantitative easing" i.e. simply printing more banknotes under the fiction of rectifying an inadequate quantity of cash in the marketplace. This fiction is actually grand larceny perpetrated upon savings & fixed incomes, the value of which is diluted by the printed cash. [Note that, in the modern age, this 'printing' may involve just electronic balance sheet entries & funds transmissions].

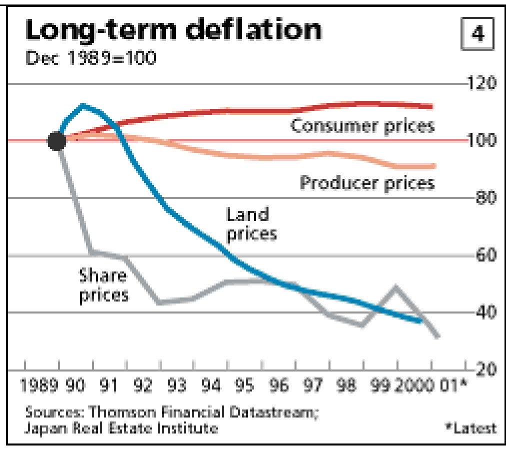
Monetizing is selling something that is worthless. At government level, it is a form of trickery. The trick is worked by a nominally independent reserve bank ["**Fed**" in the USA] itself buying & selling bonds. Reserve banks just deals in paper entries and are immune from concern about profits or losses. If a reserve bank "buys" government bonds, it just inserts a larger credit in the government's account balance. If the government redeems those bonds then that credit is reduced. This activity ["**monetary policy**"] effectively manipulates (raises or lowers) marketplace interest rates as it effectively sucks up or releases cash. Monetization goes beyond confecting low or even zero interest rates: it punishes savers and forces them to spend by steadily diminishing the value of their savings. The logical conclusion of this process is the elimination, by zombie bankers & politicians, of cash from circulation, such that citizens can only buy & sell by wearing or bearing the "mark of the beast" -- some sort of barcode perhaps.

At time of writing these Fed cash injections have the potential to **inflate & debase the currency**, but have not yet trickled through to the money supply because recipient banks have been loathe to on-lend. The injections have removed many toxic assets off frightened banks' loan books, given banks cash to buy bonds and facilitated fresh share issues, but little has been on-lent, so the inflationary effects have not yet hit the broader market. Yet the injections are bound to have inflationary effects, especially when they are on-loaned by the banks and are then re-deposited by borrowers, with the re-deposits being magnified x 10 by the fractional reserve banking system, leading to a massive credit expansion and application of new loans to speculative mal-investments (which will in turn burst or at most supply idle capacity). When reserves are depleted & needs are strong, inflation is likely to commence in earnest, especially in those countries which are in debt. It is likely that, within a few years, the chickens will come home to roost.

As asset price depression sets in, especially if consumer prices inflate, bondholders will sell their Treasuries to get cash, even if they suffer a loss. This will lower bond prices -- especially given the huge volume of Treasuries now swamping the market -- and increase yield, raising marketplace interest rates too as desperate borrowers try to find a lender with cash. Such a turn will diminish the asset side of banks' balance sheets all over again. If Treasuries are drastically devalued then US asset prices (buildings, corporations, infrastructure) will implode, making these assets easy targets for cashed-up foreigners. Pricing of oil in euros rather than US$ will render this increasingly-scarce resource more inaccessible to America, discount the value of foreign US$ reserves and further discourage purchase of Treasuries.

The Fed will **try to end cash injection** and to soak up cash by taxation or by attractive sales of Treasuries before full employment is reached, so as to retain a pool of unemployed and thus keep down wages (the main driver of inflationary demands). However, these processes may not work in the USA, where competitiveness & demand are low, where there is little ability to pay tax and where investors are increasingly suspicious of buying Treasuries because looming inflation means redemption using watered-down currency (i.e. a steep drop in their value). Since 2000 foreign buyers have taken 80% of US Treasuries (and now own half its national debt), but are now increasingly loathe to do so. The US debt of US$13tr currently equates to its GDP. The US is the largest Ponzi scheme in the world: if it can't sell Treasuries to redeem earlier issues of Treasuries, it will have a "sovereign debt crisis" and be effectively bankrupt. Precious metals will be remonetized and their values will soar.

We are in unchartered territory. There is every likelihood that the deflationary spiral in asset prices will become a whirlpool of ever-increasing viciousness as inflation sets in, eroding savings, making fixed incomes unviable, increasing import prices, lowering living standards and destroying confidence in fiat currency. In Weimar Germany or modern Zimbabwe it took wheelbarrow loads of banknotes to buy a loaf of bread. Land & share prices can fall whilst consumer prices remain steady or rise. The Japanese bust occurred in 1992 when huge postwar industrial earnings were poured into a speculative domestic real estate bubble which burst. The Japanese government borrowed hugely from its thrifty citizens (now nearly US$200bn, twice GDP) to spend on over-capitalized construction projects and stimulate employment. 16 years later Japanese interest rates approach zero and its economy remains in the doldrums, partly because its citizens consume sparingly.

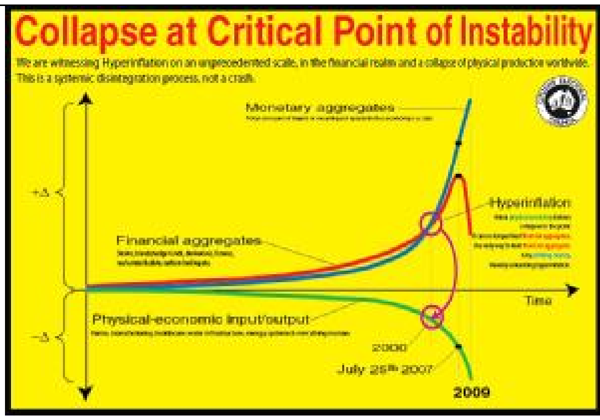


Snapshot of Japanese economy

The entire edifice of the US financial markets is structured on massive overseas borrowing and the inflated value of US real estate. It is as stable as a sandcastle built near the crashing waves on a beach. The US has ceased to have a monetary system built on any rational foundation: it has become a **credit system based on faith in its government**. The same situation applies across the globe, in the UK, Europe and in Australia (where per capita borrowing actually exceeds that in the US). Governments in all these countries are panic-stricken at the prospect of land prices collapsing, taking down banks whose securities have become nugatory, so they blindly struggle and breach fiduciary duty by positively fostering (rather than preventing) the harlot site monopoly. Their currency-faith is based on *nothing but lies, deception & bluff*.

Whilst inflation is a monetary phenomenon, **hyperinflation** is political as it requires a fundamental collapse in a nation's political economy. A collapse of the US$ would have global consequences, ruining 2/3rds (US$1.6tr) of China's capital reserves, decimating global trade and enabling holders of yen, yuan & euros to buy up US infrastructure and suck its juices at leisure, like a wasp eating a spider sealed alive in a mud cocoon.

The imminent danger is that a desperate crestfallen proud US, its citizenry driven by the juggernaut of big government stirring patriotic jingoism & imposing food rationing & martial law, will embark on **endgame military adventures,** especially designed to secure oil supplies from the Middle East.



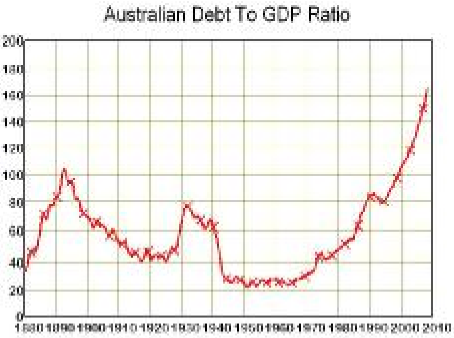
Critical instability supervenes when the amount of cash or cash equivalents (bonds etc.) soars but real physical production drops

The bubble has not yet been pricked in the **US commercial sector**, which is increasingly exposed to refinancing of its 5-10 year mortgages at a time funds are unavailable and the MBS market for securitized commercial mortgages has imploded. In parallel, "honeymoon rates" on widespread popular "Alt-A" residential mortgages are about to reset at higher rates. Whilst Fed intervention has temporarily spiked the moribund patient back into life, an even worse repeat of the mid-2008 crash is imminent amidst increased need for national borrowing, forced by injection demands and cyclical downturn reducing tax income (on earnings & turnover) at a time of increased welfare demand, in a climate where domestic & foreign funds are unavailable.

At present, the global economy is experiencing not so much “recovery” as an artificial high, as the hungover party revellers get **temporarily stimulated with varying injections of government methedrine**. Governments are desperate to keep asset values high so as to facilitate balancing of banks’ books, since banks’ loans are secured against these bubble prices. Land prices and share markets have been propped up by artificial cash and by the speculative investments of “carry trade” borrowers of currencies at low interest rates. There is no real basis for a sustained recovery and things could get worse in a flash.

The bubble has not yet been pricked **in Australia**, where per capita borrowings have risen steeply (compared to GDP) over the past 15 years and exceed those in the US. Land prices -- leveraged by debt -- have become inflated, not least because Australian banks borrowed heavily in yen & US$ at low interest rates then frantically on-lent. The median price of homes in Australia is highest in the world at 6.3 times household income, which is severely unaffordable (the Gold & Sunshine coasts of Queensland are at about 9x and the U.S. ratio is 3.2x). The exchange value of the Australian dollar is at present soaring due to solid commodity sales (especially to China) and investors using cheap “carry trade” borrowings of yen & $US. The commodity sales could collapse if Chinese exports diminish (especially if the US is bankrupted or excess Chinese capacity causes massive local unemployment), and investment in Australia will be unattractive if bursting of its land bubble brings interest rates to nil.

Shows the recent increase of Australian debt relative to GDP



Prime Minister Rudd inherited a relatively sound banking system (in global terms), a substantial budget surplus and interest rates at 7% (hence monetary flexibility). At present, he has delayed a collapse of real estate prices by supplying government guarantees of banks, subsidizing public works which increase the value of private land at taxpayer expense, tripling First Home Owner grants (which are likely to entrap marginal borrowers who will find themselves unable to service mortgages when interest rates rise, especially if unemployment sets in), splashing cash grants direct to citizens and fostering an environment where interest rates fell.

Rudd blames greedy “**neo-liberals**”, who support the free market replacing government, for the global crisis and praising “social democrats” as white knights riding in, spouting antiquated Keynesian nostrums with public cheque book in hand, to save capitalism from cannibalizing itself. In fact, this is ridiculous. It is not free markets or neo-liberals that are to blame, or even greed (which is endemic), but rather land monopoly. Both social democrats and neo-liberals are stupid & self-interested, since both persist in denying the elephant in the room: SR. Both treat land (including all natural resources) as just an other commodity or chattel capable of human ownership, whereas in fact land is fundamentally different as it was not made by humanity. Open, competitive markets and a viable balance between private incentive & public responsibility can really exist only when the value of land (and probably nothing else) is socialized. It is incredible that supposedly-intelligent & responsible people could uncritically believe a free market is possible, that asset-bubbles & inequality won’t arise, where SR is left uncollected. It is all very well Rudd saying the neo-liberal emperor has no clothes: but why doesn’t he add “and is rolling around in the mud with the social democrats”?

11. Conclusion:

The SR analysis has religious support, but does not rely upon same. The SR analysis foresees doom & gloom, but hopes to avoid such outcome and would improve things even in ‘normal’ circumstances. **SR relies only on reason and morality.** Achieving global peace & plenty is only possible by abiding by **one fundamental, respectful principle**: that humanity did not make the land & its resources and these are not available for privatization. The fiscal face of this principle necessitates adopting Site Revenue. However, taking this course ends the mad dependence on profiteering out of real estate and so upsets many parasitic vested interests & jettisons complex, embedded fiscal practices in a way that is inconceivable to most intellects.

You will never see a refutation of this SR analysis.[25] It is opposed by the rich, whose wealth almost invariably derives from land monopoly. It is hated by almost all politicians, academics, media moguls, bankers and captains of industry. However, these opponents will never articulate reasons. Rather (when pressed) they will adopt superior airs, make dismissive verbal assertions and try to suffocate SR at birth. The best those who oppose SR can do is … ignore it. This is cowardly dumb insolence in the face of reason & principle.

In Part X Chapter 4 of *Progress and Poverty* Henry George speaks of how **civilization may decline**. He speaks of complacency with corruption, dominance by wealthy oligarchs, inequality, scrambling for wealth, the festering of volcanic forces, Christianity dying at the roots with nothing to replace it and abandonment of sensitivity to an intelligent Creator.

It is possible, but not probable, that in a relatively free & decent society like Australia the necessary SR reforms could be adopted by democratic process and be a light to the world. However, in all likelihood **vested interests will continue to suppress the SR debate**, the masses will continue to remain ignorant & apathetic and 'democracy' will remain inherently flawed, so the necessary reforms will not be implemented in the short time available before looming social, fiscal & environmental crises become unmanageable. As a result, the global rich-poor gap will continue to grow, the natural environment will continue to deteriorate, national economies will sicken, and friction over resources & militarization will increase.

The result (which is still avoidable) would be that global conflict which is prophesied in the shocking historical imagery of the Bible's *Book of Revelations*. Only in the wake of that conflict may true principles be respected and SR be adopted across Earth. Let us hope reason & decency prevail on a voluntary basis to bring peace & plenty immediately.

-- v.4.6 November 2009

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GEORGIST WEB LINKS

http://www.lvrg.org.au/	http://www.geocities.com/RainForest/3046/
http://www.progress.org	http://www.geolib.pair.com/
http://www.earthsharing.org.au/	http://www.landreform.org/
http://www.interunion.org.uk/	http://www.hgchicago.org/
http://www.taxreform.com.au/	http://www.hometown.aol.com/tma68/george.html
http://www.henrygeorge.org	http://www.askhenry.com/
http://www.landvaluetax.org	http://www.henrygeorgeuk.cjb.net/
http://www.progressandpoverty.org/	http://www.arwep.org/
http://www.ibw.com.ni/~ihg/index.htm	http://www.nypl.org/research/chss/spe/rbk/faids/george.html
www.masongaffney.corg	http://www.spains.com.au/essays_by_d.spain.htm
www.michael-hudson.com	http://www.multiline.com.au/~johnm/index.htm
www.businesscycles.biz	http://www.cooperativeindividualism.org/
www.fredharrison.org	http://www.multiline.com.au/~georgist/
http://www.foldvary.net/	

25 For detailed study of what brave formal academic criticisms exist, see Fred Harrison *The Power in the Land* Shepheard-Walwyn, London (1983); Steven B. Cord *Henry George: Dreamer or Realist?* Uni. of Pennsylvania Press, 1965 p. 67 and Robert V. Andelson (ed.) *Critics of Henry George* (Associated University Presses, 1979).