

# The Australian Experiment

*It is sometimes asked: "If the economic reform proposed by Henry George would do away with slums and other evidence of poverty, how does it happen that in the several Australian cities which have, to a limited extent at least, put into practice the principles of land-value taxation, unemployment and widespread economic insecurity are still to be found?" HENRY THORSTEN TIDEMAN, young Chicago businessman and teacher in the Chicago Extension of the Henry George School, gives the answer in the following comprehensive review of the manner in which the collection of economic rent operates when practiced on a limited scale.*

\* Americans now in Australia with the army who know that the practical proposals of Henry George have been adopted in large measure by many Australian cities will be surprised to find that those same communities continue to harbor their slums and crime, their underpaid and downtrodden masses. They will be surprised to find that the adoption of enlightened tax measures has not had greater effects, has not succeeded in raising even the very poorest above the level of want. Yet such is the case.

And since, as George said, in the sequence of phenomena there is no accident; since effect must follow cause; must there not be some underlying error in the unthinking assumption often made, that an area as small as a city, by adopting George's proposal, in whole or in part, can raise wages within its borders above the general level of wages?

Let us examine the case without prejudice.

By increasing the taxes on land, a city can discourage speculation in land and, by thus forcing land into use, encourage local industry and increase production. By a concurrent lowering of the taxes on industry and the products of industry, it can further encourage local industry and increase production. To raise wages, however, (and it is to a rise in wages that we must look for any improvement in the condition of the laborer) it is not enough to "encourage industry" and increase production. An increase in production does not assure higher wages. All production on any given piece of land, beyond the amount which can be secured with equal labor from marginal land, represents the advantage to be had from possession of that land, and can be demanded and will be paid in rent. Wages are determined by the amount of production left after rent is subtracted; in other words wages are fixed by the productivity of marginal land. To raise wages permanently we must raise the margin of production by making more productive land available for a nominal rent.

There is little marginal land in a city, and to en-

courage local industry (though it may lead to the growth of the city and to an increase in gross land rent) can have little effect on wages, which are determined by the quality of marginal land, land mainly outside the city gates.

Any permanent rise in wages following a city's adoption of George's proposal, comes chiefly as a result of raising the quality of this marginal land outside the city, due to the abandonment of marginal land made possible by the flow of labor into the city. The resulting rise in wages is small and widespread, showing itself not only in the city, but in surrounding areas as well. There is a definite effect, but it can not be localized. If we throw a bucketfull of water into the sea, we must not expect to see a high place where it fell; but all the sea is higher none the less.

So far as Australian cities alone are concerned, however, the observable effect has been that the adoption of the Georgist proposals has led to a more rapid growth in population than would otherwise have been the case. Land has been forced into use—and men have come in to use it. Industries flourish which otherwise would have been small, or would not exist.

Had the program been initiated in political subdivisions in which there was a considerable quantity of marginal land—the equivalent, say of states in this country—the effect would be more clearly visible. The land newly forced into use and the greater part of the land pushed out of use would be in the same area (instead of the first being in the city which made the change and the second in the surrounding countryside). The rise in wages would be much greater, because the area which must be overrun by incoming labor before the demand for land would so extend its use as to once again depress the quality of marginal land, would be correspondingly greater.

This is not to criticize what has been done in Australia, or in Pittsburgh, where similar tax measures have been adopted. These cities are to be commended for having taken a step in the right direction. Let us hope that it will not be long until other communities are following their example.

---

## FOOLS AND THEIR MONEY

How many know how Hetty got so rich—  
The "richest woman in the world," they said?  
She never milked a cow or sewed a stitch  
In all her life, nor baked a loaf of bread.  
But she had foresight—bought up Texas land  
Which must increase in value when  
The rising generation would demand  
More room to live in, being landless men.  
The acre that had cost her fifty CENTS  
She sells for fifty DOLLARS! What a gain  
For doing nothing. Unearned Increments  
Like these should public treasuries sustain  
Without a cent of taxes. Puck was right—  
The sons of Adam are not over bright!

—HORATIO