

# Henry George News

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## The 1993 Australia Conference:

### Spark & Strategy for Collecting the World's Rent

Part 2

by George Collins

The economic essentials for a just and wholesome society were addressed in two papers: "Mabo" by Philip Anderson and "The Greens" by Karl Williams. Phil, the organizer of the conference, and Karl, are two of the young hopefuls of Tax Reform Australia. Aboriginal rights is a major issue in Australian life and politics and "Mabo," the name of an Aborigine whose case concluded in the landmark decision, has become a celebrated controversy. This decision, which recognizes native land title, struck down a concept called *Terra Nullius* under which Australia and its islands belonged to no one when Europeans arrived. The new ruling has left miners, farmers and other landholders uncertain of the security of their titles. In this paper, Georgism comes to the rescue, providing the mechanism whereby the rights of the Aborigines and equal access by non-Aborigines are merged. The Georgist remedy equitably satisfies the rights of individuals and the requirements of society, by ensuring abundant opportunity and free alternatives. This would be preferable by far to paying the currently inflated market value of the land to the descendants of those who met John Batman at the entrance to Port Philip Bay, Victoria in 1835. However, there was one proviso: traditional tribal land rights would be recognized where the native people still possess and exhibit an authentic relationship with the land.

Karl Williams, a University lecturer, demonstrated an attractive, if debatable argument to win the support of Greens. In addition to compact land use concentrated in centrally desirable locations (a widely-lauded environmental benefit of LVT), Williams proposes two measures aimed at further relieving the countryside from urban pressures. Rural land could be assessed on "maximum sustainable yield," fostering or-

ganic farming. The wilderness, on the other hand, could be spared the rush of industry to the free margin by computing all the externalities, assessing on the basis of "social costs."

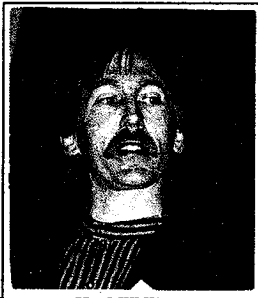
No prescription for achieving "Employment for All by the Year 2000" - the title of his paper - was more challenging than that put forth by Bill Pitt of Melbourne. Henry George missed the mark with imprecise

words and phrases, Pitt argues, and Georgists have slavishly followed him. He was led into errors of thought by, for example, John Stuart Mill's use of a misnomer like "unearned increment" - which, he declared, is not unearned, but stolen from labor. George blundered

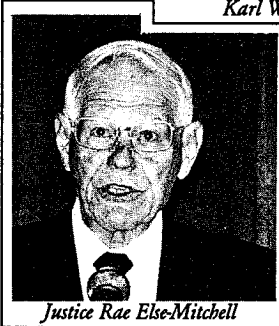
in describing land as a factor of production. "Land and capital produce nothing." Such terminology failed to capture the imagination of people in Russia, Denmark or Australia. The reform "was not in the common, everyday commercial terms that it... should have been." George was a great scientist - but his theoretical flaws, imperfect wordings and the

political weakness of "land value taxation," a mere municipal reform, have held us back. But the opportunity is again open in Russia and it is now recognized by Fred Harrison and others working there that rent is the word. "Site Rental Revenue," says Bill Pitt, "must become the slogan."

The mid-conference Henry George Commemorative Dinner on Wednesday evening was an elegant affair, befitting the character of the Victorian Gothic dining hall in which it was held. Mr. Ian Baker, Member of Parliament and a Georgist, delivered his banquet speech before dinner in order to return to an official meeting. With unassuming ease and a ready wit he spoke of the challenges to land value taxation and the importance of continuing espousal by members of the organizations gathered there. With time to spare after dinner, a parade of talent crowned the (Continued on page two)



Karl Williams



Justice Rae Elsie Mitchell

evening with a warm sense of universal comradery. Prof. Seyeul Kim from Korea sang "O Sole Mio" in a ringing tenor voice; Prof. Bob Andelson recited a long, amusingly expressive monologue; Pat Aller led the audience in rounds of "Kookaburra Sits in the Old Gum Tree;" Frank Pinder of Sydney sang stanza after stanza of "Waltzing Matilda" and he and I lent our voices to "Old Man River."

On day four of the conference, the eminent Australian jurist, Justice Rae Else-Mitchell, former judge of the Land Value Taxation Court and Supreme Court of New South Wales, presented a detailed history of "Land Taxation in Australia: The Influence of Henry George." Not only was *Progress and Poverty* serialized in Australian journals in the very year it was published, 1879, but land reform groups had been formed eight years earlier when its predecessor, *Our Land and Land Policy*, was published and the first land tax was imposed in the state of Victoria in 1877. This was a reaction to an 1860s law which gave free unsurveyed selections of land at a flat sum, and vast areas were obtained through free grants. Landless laborers and disillusioned miners looked to the land tax to nationalize land, "burst up large estates" and provide revenue. By the time George visited Australia in 1890, taxation of land values had become the official policy of the Australian Labor Party and a platform plank of the International Trade Unions. After the establishment of the Aus-

tralian Federation in 1901, unimproved land value became the basis of taxation in most states and for the Commonwealth. And although there has been reduced reliance upon it and considerable increases in taxes on labor, unimproved land values continue to be recognized as "the proper basis for comparing and assessing the revenue capacities of states and local government bodies for the distribution of commonwealth funds...."

A perfect complement to Justice Else-Mitchell's treatise was Douglas Herps's "Economic Rent in Australia: The Capacity to Replace the Taxation System." Mr. Herps is a former Deputy Valuer General of New South Wales, and until 1991 a consultant to the Commonwealth Grants Commission on the land tax capacity of Australian states and territories. Lobbying by opponents over the last 100 years has riddled the system with so many exemptions that it has become extremely inconsistent and unpopular. The revenue-raising land value tax in Australia is "a pale shadow of the Georgist concept." Despite these problems, administrative improvements have been seen. "Efficient centralized state valuation authorities to determine and maintain the revenue base," have been developed in each state - and it is well recognized that frequent revision is required. In the increasingly competitive world economy, productive failure and widespread evasion of direct taxes could threaten the survival of the (continued on back page)

## Australia '93: Spark & Strategy... (continued from page two)

Australian economy. Such a collapse might result in: "massive indirect taxation of locally produced goods and services and/or collection of economic rent - which cannot be evaded."

The valuable lessons to be learned from and by each country were clearly evident throughout the conference. Godfrey Dunkley emphasized that collection of land rent for public revenue has a long history in South Africa. However, blacks had been deprived of the land long before Apartheid was imposed. There is wide application of Site Value Rating (LVT) at the local government level. But, further advances of Georgism in the Republic of South Africa "will be greatly influenced by events in the rest of the world, particularly Russia." David Chester, an engineer from Israel, laid out a structure for pursuing macroeconomic analysis as an engineering discipline. The six entities for a satisfactory econometric model would include (along with government, house-holder, producer, capitalist and finance institution,) the landlord - "a matter to which most macroeconomic texts give scant attention."

Mary Rawson's commentary on assessment practices in British Columbia could well be seen as a "do & don't" checklist of assessment administration and policy. As a member of the Board of British Columbia Assessment Authority, she monitors a market value assessment system operated by a well-trained professional staff using up-to-date technology, achieving "high statistical correlation between assessed value and market sales and attracting a minimum number of appeals." Yet it engenders strong dissatisfaction among the public. The reasons? A classification schedule for taxation based on use, exemption of some property from assessment and some from taxation and lack of public knowledge of these deviations. Whatever else is done, the public must be fully informed of all official measures that affect land values and assessment.

Robert Keall, Secretary/Treasurer of the New Zealand Land Value Rating Association, gave a picture of how the pressure of politics, environmental concern and shifting economic philosophy have created conditions for Georgism that reflect the title of his paper, "New Zealand - Crucible for the World." Like Australia, New Zealand began its experience with LVT in the late 1870s when Sir George Gray, a man with whom George shared a mutual admiration, was its Premier. The Labor parties were initially inspired by Henry George and as late as 1922, 10% of the national budget was derived from land rent. The late Roland O'Reagan was the chief architect in this century of the spread of land value rating

(LVT) in New Zealand. Aided by the educational work of Betty Noble, active promotion has made it, in the words of Bob Keall, "an article of faith among New Zealanders." Nevertheless, attacks by profiteering real estate interests and general submission to Keynesian concepts of economic management caused, by the time of O'Reagan's death in 1992, a drop in federal revenue from land rent to only 0.4%. "The income tax," says Bob Keall, "may readjust uneven levels of income but it cannot adjust unjust levels of wealth." Three major cities - Dunedin, Christ Church and Wellington - have abandoned municipal land value taxation. The opponents make strange bedfellows. The mayor of Wellington engineered the change by council despite a commission's support for land value taxation after hearing from the public. The Greens gave their support to the Mayor on the grounds that land value rating would lead to overdevelopment. "The fiery furnace of economic reality," as Bob Keall sees it, will continue to burn in New Zealand, revealing to emerging Georgist communities what they will encounter and what they must overcome.

There were many other notable contributions to the challenging work of Georgists everywhere. The venerable Arthur Dowe, now in his 90s, submitted a paper titled "Georgism and Land Value," which was admirably read by Bernard Rooney of Sydney. Betsy Harris, a farmer from Kimba in South Australia, reminded us of the primacy of natural law and cited the freedom from suffering and degradation among the Aboriginal societies of Australia, where they did not "own" the land. Richard Giles, Secretary of Association for Good Government in Sydney, looked at "Georgism and the New Right," on issues such as free trade and an unregulated economy - finding in the Georgist philosophy a harmony between equity for workers and freedom for entrepreneurs. With "Land Luddites and Lemmings," Philip Day, a lawyer, Town

Planner and University Lecturer who is preparing a report on town planning and the land market for the Russian government, emphasized that the starting point of economics is not taxation or anything else, but land. Town planning is the most persuasive determinant of land value; developer contribution to public improvement is rarely related to the land value increase obtained from up-zoning. Because of this the current system is "an invitation to those with devious minds and devious morals." George, Phil Day believes, did not appreciate the importance of community land use decisions. A new book that would treat Georgist ideas in terms of town planning and land use is needed. "True appreciation of the nature of land can provide a moral basis for a sound economy." Quoting a Nigerian chief, Phil Day said, "Land belongs to a vast family of man, many are dead, some are living and countless millions are yet to be born."

To conclude the program, Geoff Forster, the Editor of *Progress*, gave a brief history of the magazine which is approaching its 1000th publication, and recounted some of the approaches that have been taken to propagate Georgism in Melbourne. Phil Anderson's conference summation was a stirring statement of the need, challenge and opportunity for Georgism accompanied by an impressive computer-generated video.

For all of us contemplating **Employment for All: Total Tax Reform by the Year 2000**, this epigram delivered by Geoff Forster should be our watchword: "Changes take place in two processes: 1) steady, slow, constant growth or movement of change and 2) the sudden, striking apocalyptic change that occurs unexpectedly. We need to be involved in the first, and prepared for the second." ■

*Editor's notes: In our last issue, two men were identified incorrectly. Ian Leys is President of the Georgist Council of Australia; Morris Williams is President of Tax Reform Australia.*

*Thanks to Susan Klingelhoefer for help with photos from the Schalkenbach Foundation archives!*

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