

# Preface

- 3rd Fisherman:** Master, I marvel how the fishes live in the sea.  
**1st Fisherman:** Why, as men do a-land: the great ones eat up the little ones. I can compare our rich misers to nothing so fitly as to a whale: a' plays and tumbles, driving the poor fry before him, and at last devours them all at a mouthful. Such whales have I heard on a'th' land, who never leave gaping till they ha' swallowed the whole parish, church, steeple, bells, and all.
- Pericles:** [aside] A pretty moral.  
**3rd Fisherman:** But master, if I had been the sexton, I would 'have been that day in the belfry.
- 2nd Fisherman:** Why, man?  
**3rd Fisherman:** Because he should have swallowed me too; and when I had been in his belly, I would have kept such a jangling of the bells, that he should never have left till he cast bells, steeple, church, and parish, up again. But if the good King Simonides were of my mind —
- Pericles:** [aside] Simonides?  
**3rd Fisherman:** We would purge the land of these drones, that rob the bee of her honey.

William Shakespeare,  
*Pericles, Prince of Tyre*, Act 2, Scene 1.

**T**he science of economics today is in a similar situation to that of astronomy five hundred years ago. At that time it was believed that the Earth was a flat, stationary object in the centre of the universe. Because of this paradigm, astronomers were forced to construct elaborate and completely false models of how the universe worked.

It wasn't until the paradigm was challenged by the observations of two great astronomers, Copernicus (1473–1543) and Galileo

(1564–1642), that it was finally abandoned. This change in belief took over a century and such was the strength of the opposition to the change that Galileo was imprisoned, tried before the Inquisition and forced, under threat of torture, to deny his discoveries.

Five hundred years later our economic paradigm is called the ‘free market’ system. The fall of communism in eastern Europe has been regarded by many western economists as vindication of free market economics. It is felt by many that Darwinian selection has chosen the ideal economic framework and all that remains is for refinement to be added to the free market system.

Yet, is this an accurate observation of the free market system? Does our economic paradigm accord with the situations and facts we see around us?

Looking through the ‘telescope’ at the countries that have adopted the free market system – and this includes the western democracies – we can observe some major problems with the paradigm.

The first and greatest problem is what I call the ‘prosperity paradox’. Simply stated it is: *Why have improvements in technology and productivity failed to translate into a life of comfort and plenty for the majority of people?*

It is now more than 100 years since the day comprising 8 hours work, 8 hours play and 8 hours rest was officially introduced. At that time, because many women seldom worked outside the home, one wage was sufficient to support a family.

During the past century we have seen the introduction of international air travel, the internal combustion engine, telephones, faxes, automation, computers, and many other aids to the production of wealth. In spite of these advances in technology, the average working week has not shortened at all and a person on a basic wage struggles to survive. In some ways people are worse off, because frequently two wages are needed to support a family now.

This situation demands the question: Where has the additional productive capacity gone?

The second problem is that unemployment is an inevitable by-product of the free market system. For more than a century no free market economy has achieved full employment. This situation has become accepted by economists to the extent that unemployment is now treated as a statistical phenomenon, to be managed rather than fixed. In a good year unemployment is around 6%, in a bad year around 12%.

Governments crow when they ‘create’ jobs and allocate blame elsewhere when unemployment rises. For all this, it is easy to observe

that unemployment does not vary as much with the policies of a government as it does with the economic cycle.

Also, obviously, unemployment is not just a statistical problem. Tens of millions of unemployed people worldwide are subject to the despair and aimlessness that leads to such problems as crime, drug abuse, suicide and marital breakdown.

Thirdly, poverty and the resulting welfare dependency have become accepted features. Across free market economies around 40% of people receive some kind of government support. The 'welfare state' has had to be constructed to alleviate the worst features of poverty and prevent people from starving in the streets.

Needs that people in earlier generations were able to fulfill for themselves have been taken over by governments. For example, adequate housing is now beyond the reach of many two income families, whereas a few generations ago it was within the reach of most single income families.

Clearly, however, a welfare system does not address the cause behind poverty, yet such is the inability or unwillingness of governments worldwide to discover the cause that welfare systems are now an integral part of life in western society and the absence thereof could cause political unrest.

Fourthly, inequitable distribution of the burden of taxation is widely seen. This was starkly demonstrated by Australia's richest man paying no income tax at all for 6 consecutive years during the 1990s.

As Plato (427-347 BC) said, "When there is an income tax, the just man will pay more and the unjust man less on the same amount of income." Governments have been tinkering with and amending the income tax system for around nine decades. Even so, income tax remains mandatory for the poor and middle classes and is optional for those able to afford expensive 'tax planning' advice.

Many multinational corporations also avoid taxation by moving income to tax havens through transfer pricing arrangements and other schemes. Such is the desperation of ordinary people to get the wealthy to pay some tax that they are prepared to embrace policies which damage their own interests such as taxes on goods and services.

Finally, the fifth problem is the increasingly uneven distribution of wealth. Across western democracies we observe that the richest 5% of people control a minimum of 80% of the wealth of those economies. Meanwhile the poorest 40% of people have essentially no net worth. This trend is accelerating with the middle classes coming under increasing pressure to either move up or be slowly forced down to the poorer classes.

The free market system, our economic paradigm, is unable to deal with the above five problems. In fact it encourages us to misdirect our efforts at finding solutions by mistaking effects for cause.

In 1995 I came across a quiet, run-down shop in the back streets of Melbourne, Australia. There they sold, among other things, a collection of dusty pamphlets, faded with age, containing speeches by the American economist Henry George. These pamphlets were priced at 'one penny' or 'twopence', and the most recent of them was reprinted in 1950. The pamphlets were named the same as the names of the chapters in this book — quaint unusual names that rang of a hopeful idealism.

I later discovered that the author of these speeches was born in Philadelphia in 1839. His major book, *Progress and poverty: An inquiry into the cause of industrial depressions and of increase of want with increase of wealth*, was published in 1879. It became an international bestseller and remains the all-time best-selling book on economics. It has never been out of print since it was first published.

Henry George spoke widely in America, England, Australia, Scotland and Ireland. His talks sparked the formation of societies and leagues bearing his name as well as political parties. Despite this, Henry George is almost entirely unknown today by the general public and only slightly known as a historical figure among economists.

While reading these pamphlets, I felt within me the emergence of a glimmer of hope — a vision of how things might be. Henry George speaks in terms of principles and justice. He looks beyond effects to find the underlying cause. He quotes from scripture and dares to ask how the Creator intended us to behave.

Henry George's approach to economic issues is vastly different from the approach taken by most modern economists. In spite of this fact, the speeches are very pragmatic. Henry George doesn't just point out the problems; he also provides the answer. The answer is simple, elegant, just and completely relevant to today's world.

Henry George also explains the prosperity paradox by clearly illuminating the forces that underlie the distribution of wealth in society. Over one hundred years ago he predicted exactly what we have found to have occurred in practice — that improvements in technology and productivity do not create general prosperity.

Prior to reading these speeches, there is one important point that needs to be made. We have become accustomed, in economics, to placing every idea on a continuum from communism on the left to free market capitalism on the right. On hearing a new idea, many people

tend to label anything that is not part of the system with which they are familiar as being part of an opposite system.

Henry George's ideas defy this kind of simplistic categorisation.

George's ideas may be called a third way. It is a way that doesn't plan for a welfare state — not through lack of compassion, but through lack of need. It is a way that eschews force and regulation in favour of cooperation. It is a way that evens the distribution of wealth, not by taxation and redistribution of income, but by removal of artificial privilege and the barriers to work. It is a way that liberates rather than shackles the potential in people.

I hope as you read these speeches the beautiful simplicity of Henry George's way will become apparent.

This book is dedicated to those people who look at the economic scene of today and puzzle at what is going on. If this book ignites in you a spirit of enquiry and wonder, like Galileo's, then Henry George would have been well pleased.

Dr Mark Hasted  
Melbourne, Australia, 2000