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Proportional representation for elections**

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PLENTY FOR ALL — NO NEED FOR BELT-TIGHTENING NONSENSE

*Annual Commemoration Address given by Mr. Bill Mason
on 23 September.*

As a comparatively recent convert to Georgism two somewhat conflicting thoughts confront me. First is humility, when I consider how the philosophy and faith of Henry George has been kept alive by so many of you, your parents and predecessors, through almost a century of powerful adverse social censorship and intimidation by Establishment forces. Second is the hope that with my particular background and outlook, my approach to Georgism might offer some new clues as to how we may triumph over the enormous forces ranged against us.

After the Second World War, I was able to take on a Commerce Degree at Melbourne University, majoring in Economics and Accountancy. I suspect Henry George may have been mentioned in passing, as I think the name was not unknown to me. However, I can state with certainty that nothing about him or his philosophy remained.

Whilst in Darwin from 1958 to 1967 as Accountant for the then Northern Territory Administration I became familiar with the leasehold system, similar to that of Canberra, with quarterly land-rent payments based on periodic land valuations. I read of Henry George's influence in the establishment of this system, but was left with the impression that all alienated land must be re-purchased by the Crown, an impracticable task, for the benefits to be spread to the rest of Australia. I subsequently watched with dismay the conversion to freehold in the Northern Territory and the 1970 abolition of land rent in A.C.T.

Clarity Attained

In 1976 a chance contact with a Melbourne Georgist provided my "Road to Damascus" conversion. It was only necessary, he told me, to TAX land values, not to re-

purchase the land. From that day onwards I have been a committed and progressively more active Georgist. It has been a great experience, a magnificent challenge and a fine goal to work for.

Recent re-reading of Henry George's optimistic San Francisco speech, "Justice the Object: Taxation the Means", has again raised the dramatic question in my mind, WHAT WENT WRONG?

Apart from the tragedy of George's premature death in 1897, it seems generally agreed that whilst Georgism was a direct and immediate threat to the very heart of the landed Establishment, a controlled modicum of Socialism providing for those below the poverty level from those just above, posed little danger. Under pressure from the Left it could be allowed to happen, whilst continuing to verbally fulminate against it — a common enough political ploy. Albert Jay Nock, in "Henry George, an Essay" takes it a bit further. He suggests the Establishment consciously and quite deliberately chose Socialism to placate the masses and avoid the danger.

END-OF-YEAR-SOCIAL

Our annual End-of-Year Social will be held on Tuesday, 15th December at 6.00 p.m., at 31 Hardware Street. Tea, followed by recreational activity. Trading table — close about 9 p.m. Cost: \$5.00.

Please inform the office if you are coming by Friday, 11th December. This is necessary for catering arrangements.

Considering the bitter fight by the House of Lords against the land tax but not the welfare provisions of Lloyd George's 1909 Peoples' Budget, against the many complex amendments forced and the eventual repeal of the land tax but not the welfare features by the incoming Conservative Government after World War I, not to mention the similar fate of the Ramsay MacDonald/Snowden land tax of 1931, I tend to agree with Nock. Conservatives continue to condemn but practice Socialism.

At the same time the Georgist philosophy of appropriating for public revenue the unearned share of wealth produced which accrues to land and other monopolies instead of the shares of labour and capital, has been quite deliberately expunged from society's basic institutions — education, the churches, media, publishing and, of course, politics.

The Georgist counter-policy over the years, of running economic education courses appears not to have attracted sufficient patronage, against the contrary broad socialisation, to do more than keep Henry George's philosophy alive. Indeed, by concentrating on economic theory in this fear-of-theory environment it may have made its task that much harder.

Hegemony

We have undoubtedly become the victims of hegemony, like all who threaten the foundations of the establishment. Let me quote from the Fontana Dictionary of Modern Thought:

HEGEMONY: Political and economic control exercised by a dominant class (and) its success in projecting its own particular way of seeing the world, human and social relationships, so that this is accepted as "COMMON SENSE" and part of the natural order by those who are in fact subordinated to it.

Even a blunt statement by J. M. Keynes in the book which made him famous in 1919, "The Economic Consequences of the Peace" has had no discernible impact against this hegemony:

"Nineteenth century society was framed to throw a great part of the increased income into the control of the class least likely to consume it . . . Thus, this remarkable system depended for its growth on a double bluff or deception. On the one hand, the labouring classes accepted from ignorance or powerlessness, or were compelled, persuaded or cajoled by custom, convention, authority and the well-established order of society into accepting a situation in which they could call their own very little of the cake that they and nature and the capitalists were co-operating to produce. And, on the other hand, the capitalist classes were allowed to call the best part of the cake theirs . . ." (C. H. Hession's Biography, P.150).

So how do we overcome such awesome brainwashing power?

One factor that I have observed is that society, in general, is virtually intimidated against consideration of anything suggesting economic theory. The view seems to have been implanted that theory, particularly economic theory, is quite arcane and beyond the powers of ordinary mortals to comprehend. One can almost see the average person "switch off" and run for cover when economic theory is broached! It is so much easier to talk about spending public moneys than raising it—to spend it on highly visible symptoms of

our socio-economic plight — on poverty, unemployment, crime, conservation, peace, etc. People quickly revert to such simplistic aspects if they can, but if they can't you may rest assured they are not still listening to our theory.

I believe that insofar as we have concentrated on theory in the past to sell Georgism, including in our schools which have educated many of our advocates, we may well have perpetuated a counter-productive aspect, because the social conditioning of hegemony has implanted in the collective public mind a great fear of alleged theoretical complexity. My reading of "The Georgist Quarterly" has done nothing to dispel this growing conviction.

Rather than play to the opposition's strengths I believe we should instead seek out their weaknesses by constructive criticism of matters which are already in the news and being publicly debated. Before I go into detail on this, however, a word about the plight of our Welfare State.

Welfare State

Canberra Comment by "L. B. Griffin", Real Estate Times, September 11, said: "One by one, starting with Keating and spreading slowly through the party from right to left, the realisation has dawned how dramatic Australia's economic dilemma really is . . . The old ideology of the Welfare State, of public housing, health and education, and of social justice has taken second place." (Note how hegemony equates welfare with justice!)

In short, we have reached the stage when socialism has got out of the Establishment's expected control and is collapsing under its own weight as extra revenue (or deficit or loan) thrown at extra problems it continually creates, itself raises still more problems than it can hope to alleviate. The IPA Review, Summer, 1985, in an article "Governments and Job Destruction" by J. Abrahami, referred to a study showing a loss of 123 to 165 jobs in the market sector for every 100 created in the non-market sector. This was most apparent during the extravagant Whitlam years when unemployment increased dramatically as more money than ever before was spent on welfare symptoms.

This is the reason for moves towards "belt-tightening wage-cuts", selling of Government business undertakings, towards replacing visible personal income taxes with hidden consumption taxes, "broadly-based" or otherwise, and towards identity cards to hopefully lessen avoidance and evasion of our corrupt systems of taxing labour and capital's earnings rather than the unearned share to land.

We are thus at an historic turning point, with the New Right attempting to take society back to where it was, with all its problems before the Welfare State was conceived and implemented. It is an historic opportunity for Georgism to shout from the rooftops that there never has been any need for "belt-tightening" or any other New Right fascism; that even in our present run-down economy there is ample wealth produced for all if justly and equitably distributed to its producers in the first place rather than by re-distribution after the horse has bolted; after as much as \$100 billion, or 40 per cent of GDP has been ripped off by the great real estate bludge — nothing to do with dole-bludging or producers' tax evasion; that the great real estate or capital-

gains bludge is the real reason for our desperate socio-economic plight! That Government and New Right insist alike that there is no alternative to their fascist measures is a gigantic fraud on all the producing and pensioner community!

We might also be shouting the simple version of the law of rent, that labour (and man-made capital) in normal competition with and between each other cannot expect a better return on even the best land for any purpose than they could obtain on the poorest land in use or freely available; that this represents subsistence for unskilled labour with just enough margins for skills to ensure their continued availability and just sufficient return on capital to ensure its replacement as necessary. All wealth produced in excess of this goes to land and other monopolies and restrictive practices. This is why land values continue to rise with increased population and productivity whilst producers, if anything, get poorer and fewer. Why should land charge less than the market will bear, which is down to such levels, as all the world illustrates? The logical and only answer is to tax land values.

Inflation and Rents

Inflation is always newsworthy. It is led by rent increases which flow through into prices and then wages which immediately trigger another rent rise. The faster this cycle can be forced, the greater the unearned rents and capital gains, a great incentive to raise rents as much and as quickly as possible to skim off every possible productivity gain, even to lowering the accepted level of subsistence over time, but sufficiently slowly to avoid any major revolt! Such forced inflation incurs both rent and capital gains on all improvements, as well as on the land, unless we tax land values instead of producers' shares of wealth. The market value of the land accurately reflects its power to attract unearned wealth to itself and to its improvements, too. As Santa Claus does not provide these riches, they can only come from the producers.

We have some examples of regular, spectacular land value increases to show how much is being literally robbed from producers annually. Commonwealth Grants Commission valuations of urban Australian land, excluding A.C.T., which has not yet concerned them, rose from \$75.7 billion in mid-1977 to \$149.8 billion in mid-1983, almost doubling in six years, the actual annual compounding rate exceeding 12 per cent. In A.C.T. the land values for municipal rating purposes significantly more than doubled in three years, from \$1.7 billion in 1982 to \$3.7 billion in 1985. Dr. George Hardy's estimate for all Australian land, over 19 years from 1964-65 to 1983-4, showed a 14.4 per cent compound annual increase, doubling in slightly more than each five years, from \$11.9 billion to \$152 billion. (Progress, Jan. 1985).

The Commonwealth Grants Commission value of Urban Only land, \$149.78 billion in 1983, indicates that Dr. Hardy's final 1983-84 figure of \$152 billion is probably quite conservative, as indeed he claims it is. I have also seen a graph, by Dr. Les Hemingway, which showed approximately 14 per cent compound annual increase for Victorian land over a long period of years.

From the Grants Commission valuations (detailed in my Progress article, July, 1986) extrapolated at just 12 per cent,

the urban only land values at mid-1988 will be \$264 billion, having increased during this financial year by over \$28 billion. If we add double this as a reasonable estimate for the accompanying increase in value of improvements, we get nearly \$85 billion, to which must be added the similar capital gains on rural land and improvements.

It thus appears reasonable to conclude that the unearned share or increment of wealth produced, accruing to land-owners from capital gains alone, forgetting rents, is now in excess of \$100 billion per year, and increasing by maybe 12 to 14 per cent annually. This is 40 per cent of Gross Domestic Product (GDP) of \$250 billion, or thereabouts. Yet if we discount it to 30 per cent, and add a modest 30 per cent as taxes also appropriated from producers (government expenditures) value of the wealth they produce. Under feudalism the serf paid the lord who in turn paid the Crown. By contrast, in modern society, the wage-slave pays both the landlord AND the taxes to the Crown. The landlord laughs all the way to the bank!

I believe it is fairly obvious, as Lord Keynes noted, that people spend progressively less on consumer goods and services as they become richer, with more investment instead, including in existing natural resources, land, etc., as against man-made assets. Thus we find consumption chronically lagging behind production to cause idle productive capacity, unemployment subsidy, protection or other monopolistic tendency.

Land Ownership Concentrated

I should also mention the enormous concentration of land ownership, by value particularly, as against area, that exists in Australia, as elsewhere, too. From statistics appended to my February, 1985 Progress article, "Genuine Tax Reform", repeated in the Australian Democrat National Journal, April, 1985, I estimate that overseas individuals and corporations plus as few as 10 per cent of Australians own 90 per cent of Australia, by value and would thus pay that percentage of a flat rate land value tax.

I'm not suggesting that all the foregoing be included in every sales pitch for LVT, but centrally, that capital gains are taking something like \$100 billion annually, and rising fast, from producers, that this is some 30 to 40 per cent of all the wealth produced, avoids tax very successfully, leaving that burden, too, on producers, that we need look no further for the cause of all our socio-economic ills, and that belt-tightening has never been necessary!

The factual supporting detail, I would hope, will be seen as straightforward, however, and mastered to flesh out our claims realistically and to respond to challenges to back them up.

I draw particular attention to my July, 1986 Progress article, "Three Key Questions", because I don't think Georgists, in general, are using this powerful information. Although everyone knows about capital gains, we are not yet effectively exploiting them.

I understand the 1986-87 revenue from capital gains tax to be about \$125 million. This is one-eighth of one per cent of \$100 billion. The comment of Henry Simons of Chicago, "The theoretical father of the modern income tax" is relevant

here. I quote:

"One senses here a grand scheme of deception, whereby enormous surcharges are voted in exchange for promises that they will not be made effective. Politicians may point with pride to the rates, while quietly reminding their wealthy constituents of the loop-holes." (Courtesy Prof. Peter Groenewegen, *Fin. Review*, 17.6.82. p.10).

There are many perceived socio-economic problems in community minds today, to which we should be directly and persuasively relating our proposals.

It is becoming increasingly clear that conservationists are steadily losing the battle against, for example, the timber industry, simply because of its importance for employment. If we solve the employment problem, we largely solve the environment problem in all areas where the high value of natural resources — timber, minerals, oil, primary products — combined with modest labour plus tax costs to get them to export ports, has rendered them major sources of produced wealth, compared with secondary industry burdened with its additional labour, capital and tax costs.

Thus, by removing or reducing taxes on labour and capital, replacing them by LVT, we encourage secondary industry. Isn't it absurd that Australia is virtually giving away its coal resources at present as even royalties get abandoned in a desperate ploy to continue providing some employment for citizens?

Impact of our Change

By resolving the employment problem, we make it politically and socially possible, for the first time, to dismantle armaments, tobacco and any other undesirable industries at present suffered for their employment provision.

We should use these arguments aggressively and remorselessly amongst the many social groups and individuals concerned with issues like peace, environment, anti-smoking, etc. The same applies to charitable organisations, overseas aid, etc., particularly when they falsely claim to be furthering social justice, which is quite separate and distinct from charity. This is just one subtle brainwash example of hegemony.

There is the field of exports, imports and overseas deficits. Our own citizens are too heavily taxed to buy what they produce, so export markets are desperately and somewhat naively sought. These taxes in our export costs, and the fact that other countries' citizens are similarly taxed, renders most such hopes a commercial mirage and another example of the hegemony brainwash to soothe us for a while with false and reckless promises of export-led recovery, until eventually another gimmick becomes necessary, and will undoubtedly be found.

It is difficult for our tax-laden local production to compete against dumped and subsidised imports.

By simply replacing taxes on production-consumption with LVT, we reduce costs right across the board, encouraging exports, discouraging imports and turning round the impoverishing overseas deficit. We should be saying this loudly and repetitively.

Farmers have a saying that they live poor and die rich. We should tell them why, and that the eventual capital gains on selling or as a deceased estate still short-changes them against the taxes in their substantial costs of production, because capital gains largely accrue elsewhere on more

valuable land, particularly central business districts of cities and towns.

Individual Georgists might find it convenient to target particular groups or issues. Over the last seven years I have targeted a political party, the Australian Democrats. Last year a moderate LVT policy, exempting the family farm and home, was adopted. Senators still seem reluctant to push it but I now have at least one of them unequivocally committed and ready to discuss with me "how to win hearts and minds". I would like to see Georgists in all parties, pushing our practical proposals aggressively.

The media are a great problem. I recently counted no less than 18 of my letters to "The Canberra Times", consecutively, that had gone unpublished. I wonder whether approaches to the Press Council could soften up such intransigents which claim to, and have a moral obligation at least, permit all views in the community to be aired? I will take this up with Tax Reform Australia.

HIGHER RATES

Changes to property rating as proposed in the 1987 draft Local Government Act will mean higher rates on houses (*Sunbury Regional News*, 22.9.87).

Mr. Lance Hutchinson of Essendon, an associate of the General Council for Rating Reform, said that the draft Act was calculated to force all Victorian councils to charge their general rates on the value of homes, shops and factories.

"This Bill was calculated to abolish site value rating which places no charge or rate on houses, or any improvements on the site of a house, farm, factory or business.

"The Bill laid down that a council must use the Capital Improvement Value (CIV) system for declaring rates.

"An immediate effect of adopting CIV rating is to cut the rates of land speculators by over 50 per cent on vacant sites," he stated.

"Site value rating charges the receiver of value for value given to the site.

Mr. Hutchinson asked: "How is it more democratic to force people to pay rates on the value of their own improvements?"

"Ratepayers under the current 1958 Local Government Act can and do call for a referendum. Ten per cent of voters can call for a poll to change the rating system.

"They, having experienced site value rating, overwhelmingly reject attempts by councils to return to placing rates on homes and improvements.

"Since 1920 some 40 of Victoria's 66 cities have by petition and poll or by uncontested council decision, adopted site value rating.

"Sixty per cent of the people of Melbourne and a majority of Victoria's population have by public demand rejected ratings on homes, factories and commerce while attempts to revert to rating on improvements have been rejected by overwhelming majorities," he said.

A petition was being circulated and would be presented during the next session of Parliament, he said.

"The petition shows that unless amended, the draft Local Government Bill would remove council power to adopt site value rating.

"It also takes away from the public the right to a petition of demand for a rating change."