

# ECONOMICS & SOCIAL JUSTICE IN AUSTRALIA

## ADVANCED KIT

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# INTRODUCTION

*“The neoclassical economists’ view of their proper role is rather like that in The Realtor’s Oath, which includes a vow “To protect the individual right of real estate ownership.” The word “individual” is construed broadly to include corporations, estates, trusts, anonymous offshore funds, schools, government agencies, institutions, partnerships, cooperatives, the Duke of Westminster, the Sultan of Brunei, the Medellin Cartel, Saddam Hussein, congregations, Archbishops, families (including criminal families) and so on, but “individual” sounds more all-American and subsumes them all. This is a potent chant that stirs people to extremes of self-righteousness and siege mentality when challenged.”*

- Professor Mason Gaffney, US Geonomic academic

We have just progressed through the Introductory and Intermediate Kits. We trust you now have a reasonable understanding of the fundamental principles of economics, and are reassured enough to know that the path to prosperity and social justice lies in a few elegant, simple laws. As Einstein said, “If the formula itself is not beautiful, then it cannot be true.” In stark contrast, neoclassical economics is often ridden with bamboozling jargon, mathematical formulae, models with absurd assumptions, academic esoterica and totally abstract theories.

Understanding this Advanced Kit will not require an economics or a commerce degree – in fact, whoever has been indoctrinated in one might even find it a hindrance, as I did!

There’s still much to discover, but we have already covered the essence of it. The slogan “Pay for what you take, not what you make” is an axiom of sorts, for it admits of exceptions, and we have to hang a few bells and whistles off our general principles. No rigid dogma binds us, so that we can easily cater for those few people who might fall through the cracks of Geonomics. Some of the wisest and most compassionate features of the old social welfare system would still apply.

So again we’re going to spiral around Geonomics, checking out some new areas and delving deeper into some old ones. As your understanding broadens, you yourself may well discover a multitude of downline effects of an apparently simple change in taxation. But the end result of a sane economic system and a commitment to real social justice is almost unimaginable. When you are convinced, as we are, that Geonomics is really the only viable solution to our present difficulties, then you may offer to lend a hand. The best way to start is simply spreading the word enthusiastically. Georgists have a terrible reputation for ruining dinner parties!

*“LAND, n. A part of the earth’s surface, considered as property. The theory that land is property subject to private ownership and control is the foundation of modern society, and is eminently worthy of the superstructure. Carried to its logical conclusion, it means that some have the right to prevent others from living; for the right to own implies the right exclusively to occupy; and in fact laws of trespass are enacted wherever property in*

*land is recognised. It follows that if the whole area of terra firma is owned by A, B and C, there will be no place for D, E, F and G to be born, or, born as trespassers, to exist.”*

- *Ambrose Bierce, (1842 – 1914), American satirist, The Devil’s Dictionary*

# HISTORY: THE RISE AND FALL OF FEUDALISM

*“To be ignorant of what happened before you were born is to be ever a child, for what is man’s lifetime without the memory of past events woven with those of earlier times?”*

- Cicero (106 – 43 BC), Roman orator, statesman and man of letters

One of the main reasons for the decline and fall of the Roman Empire was economic. It had been eaten from within by that very malaise that curses us today: the appropriation of the land on the part of a powerful, politically empowered elite to the exclusion of the rest. The result was inevitable. Who wants to fight for land he does not own? Certainly not the slaves who were doing the donkey work to support the landowners of the decaying Roman Empire.

When the barbarian tribes began to turn into civilised nations, they realised that the privilege of controlling land had to be counterweighted by extra duties like the costs of administration, defence and the social services (education, health, hostelry etc.).

## **BALANCED FEUDALISM – GIVING AND TAKING**

Hence Feudalism. This social system, which lasted about seven centuries (far longer than either capitalism or socialism) consisted in an exchange of **services** between king, nobility, the Church and the people. Who did what?

The king was the nominal **owner** of the land. This provided him with an independent income, which allowed him (occasionally her) to govern. The nobility were the actual **occupiers** of the various duchies, counties etc. They controlled the land by taking part of the rent as personal/family income and spending the rest in the services of defence, administration and justice. The Church also occupied large tracts of land, taking part of the rent for the upkeep of its monasteries and spending the rest in the social services: education, health, hostelry etc.

The people supported the system by working, mostly agriculturally. For about four weeks of the year the peasants worked either for their lord in exchange for administration and defence costs or for the Church in exchange for social services. 14-15 weeks of work would be enough for the support of a medium to large family (small families were an exception), and 10 weeks more would provide for whatever extras were available in those days, like beer, bacon and the like. Working time amounted to some 200 days/year, with 150 for leisure (from handicrafts to Gothic cathedrals). There was no concept of unemployment or vagrancy.

## **NOT SO NOBLE!**

What broke the equilibrium was the nobility. Conventional history books gloat over the English barons demanding “freedom” from king John by forcing him to append his seal to the famous Magna Charta. What they don’t explain is the **type** of freedom demanded.

It was freedom **from duty**, i.e. from spending the excess rent on administration and defence.

In time, the nobility of other countries followed suit, but administration and defence costs remained, gradually becoming the responsibility of the king. Increasingly it was the people who had to pay for such, by means of increasing taxation.

Things deteriorated, but not too much while the social services remained in the hands of Church bureaucracy. A dramatic slide for the worse occurred when the king, unable to get sufficient income, had to start selling his land to the nobility, the only people who had the money to buy it.

### **THE GREAT LAND GRAB**

The trend continued. Henry VIII of England having run out of land of his own, confiscated Church lands while the nobility began the process of enclosing more and more common land which forced the people either to work in the large estates for bare subsistence or to starve outside them.

Slavery, shown the door during the first millennium, re-entered through the window during the second. There exist in fact two ways of unjustly appropriating the work of others: either considering a human being as private property, or preventing him from accessing land and its natural resources, forcing the landless to work for whatever conditions dictated to them by the exclusive holders of land. Philosophically it is possible to distinguish between the two forms of slavery. For those at the receiving end it makes little difference.

The process of enclosure was completed towards the end of the 18<sup>th</sup> century. The landless, expelled from the commons where they had sought refuge, had no choice but to pour into the cities, which at the time were experiencing the Industrial Revolution.

Conventional historians are only too ready to blame the Industrial Revolution for the appalling social conditions of the workers, but keep silent about the more plausible interpretation that it was the Industrial Revolution which had actually saved those poor wretches from starvation, however unwittingly.

*“None ought to be lords or landlords over another, but the earth is free for every son and daughter of mankind to live free upon.”*

- Gerard Winstanley, (1609? – 1660?) *A leader of the 17<sup>th</sup> century Diggers movement*

## HISTORY: THE NEW SLAVERY

*“The Irish Famine of '46 is example and proof. The corn crops were sufficient to feed the island. But the landlords would have their rents in spite of famine and in defiance of fever. They took the whole harvest and left hunger to those who raised it. Had the people of Ireland been the landlords of Ireland, not a human creature would have died of hunger, nor the failure of the potato been considered a matter of any consequence.”*

- James Fintan Lalor, (1807 – 49), Irish patriot

The accursed social conditions of workers during the Industrial Revolution naturally prompted many inquiries – in those days, the connection between the enclosures and the Dickensian conditions in the cities was much more apparent.

### THE ORIGINAL ECONOMISTS

The first great inquirer was the Frenchman Quesnay (1694-1774), “the European Confucius” as they dubbed him, who recommended a tax on land as a modern remedy to re-impose the old social charge on land ownership. Another was Turgot (1727-81). As Minister of Finance of Louis XVI he tried to abolish the irresponsible privileges of the nobility, but they ganged up and destroyed him instead. Even Adam Smith (1723-90) noticed, but as he was in the pay of the Scottish Duke of Buccleuch, he could not bite the “benefactor’s” hand.

When Professor Thorold Rogers of Oxford (1823-90) dared expose the real causes of the relentless plunging into poverty of the English people from Henry VIII to Queen Victoria, he lost his chair at the University of Oxford. It would not be the last time that the vested interests tried to muzzle a seeker after truth.

The complete picture cannot be had by perusing a single book. One has to glean a good number of apparently unconnected symptoms before seeing the larger image hidden in a confusing array of smaller ones.

Europe had serfdom. America, a younger land, saw traditional slavery instituted afresh. Why were the African slaves not sent to Europe? – because Europe was already full of such! H.M. Government indeed began enthusiastically to transport its “surplus” population to Australia. The land there was “free” in the sense that the militarily weak Aborigines could be rendered landless with a few musket shots, much as the American Indians would a few decades later.

### NO LAND = NO HOPE

At the time when Don Bosco was gathering his stray waifs thrown onto the streets of Turin by the same policy of forced landlessness, the blight struck the Irish potato, sole crop of the landless there. Eight million of them, expelled from their ancestral lands for the benefit of a couple of a hundred absentee landlords, were being rack-rented to the point of either starvation or emigration. Meanwhile, Ireland remained a net food exporter!

The Irish and later the Italians, both militarily weak, crossed the Atlantic. The British, militarily strong, and thrown out of America three generations earlier, found their opportunity in Africa. They enclosed the land and forced the indigenous people to work for them exactly along the same pattern as their English and Scottish landowner forebears had done before. But they had another problem: a surplus industrial production that the impoverished Britons could not buy for lack of purchasing power. So what did they do? They went to “open up” China, Korea and Japan, which reacted with Oriental swiftness and cunning deception, filibuster and well-struck murderous blows.

The Second German Reich was not far behind, for it had the same problem. Forty-odd years later the insane policy would explode into the slaughter known to this day as the Great War.

The American Civil War of 1861-65 dramatically exposed the difference between the two forms of slavery. The economic victors were the militarily defeated Confederates, who found that hired labour was a great deal cheaper than having to feed, clothe, shelter and cure slaves.

*“Thus the form of assessment which is the most simple, the most regular, the most profitable to the state, and the least burdensome to the tax-payers, is that which is made proportionate to and laid directly on the source of continually regenerated wealth (land).”*

- *Francois Quesnay, (1694 – 1774), French physician and economist around whom the Physiocrats were formed*

# HISTORY: HENRY GEORGE AND THE LAND VALUE TAX

*“We ought to tax all idle land the way Henry George said – tax it heavily so that its owners have to make it productive.”*

- Henry Ford, (1863 – 1947)

*“I believe that Henry George was one of those really great thinkers produced by our country.”*

- Franklin D. Roosevelt, (1882 – 1945)

Beyond knowing that Henry George had all the experience he needed in terms of poverty, odd-jobbing, writing and publishing, the life of this man of vision can be read elsewhere. On finding himself out of work in Philadelphia, he followed the trail of the forty-niners to San Francisco. Two expeditions in search of gold produced nothing but hunger and disappointment.

## THE GREAT PARADOX

For a long time an idea was turning over in his head. Why are salaries in new countries always higher than in old ones? Why do progress and poverty not only appear together, but also drift farther and farther apart? Why are public as well as private charity impotent in solving the problem with any permanence? Why do beggars, tramps and prostitutes cluster around millionaires' districts?

In San Francisco he had seen the growth of progress together with poverty. A trip to New York showed him the process in its full maturity. The shocking contrast between the most bare-faced opulence with the most abject squalor turned into an obsession the need to find an answer to the old question.

But he did not find that answer in New York. He found it in San Francisco a few months later. During a horse ride in the hills east of the city he dismounted to let the animal rest. Just to start conversation he asked a teamster what the value of land was in the district. “I don't know,” answered the man, “but there is a man over there asking 1000 dollars for an acre.” What was happening “over there” for an acre of land to be worth a fortune in the California of 1869?

The transcontinental railway was about to arrive. The land value throughout Oakland was being catapulted to the stars with speculators vying with each other to secure land titles *before* the arrival of those who *would need* land to live and work.

## “EUREKA!”

In a flash, George understood. Land value increases with the increase in population, and those who needed land had to pay for the privilege of using it. But the land is the primary source of all that human beings need to live. If there is such a thing as a universal right to

life, there must also be a universal right to the Global Commons necessary for life. He who owns ends up controlling the destiny of him who works. Words like “republicanism” or “democracy” may be high-sounding, but empty.

The remedy suggests itself. To restore the control of land to those who use it, it is enough to take the rent of it as a *social charge* with which to defray public expenditure. The rent of land, instead of ending up in private pockets, would pay for defence, administration and the social services. Put it another way, let whoever occupies land pay in proportion to the quantity and quality of *value subtracted* from the common resources of nature, *not* for value *added* on them by his/her own exertion. And let all receive the value of those resources in the form of public services. Nobody would thus be defrauded of the fruits of their labour, and the load of taxation would *cease to fall on production*.

There was nothing new in that flash of understanding. He had independently arrived at the conclusions of feudalism, of Quesnay and of Turgot, without having ever heard of the three.

### **HIS WORK**

He began studying and writing. In 1879, at 40, he finished Progress and Poverty. The book is still in print, by far outselling all the works of Marx put together and has been translated into the major world languages.

In the 1880s and 1890s Henry George had captivated much of the English-speaking world with his books and hundreds of public speeches. The merit of Henry George is therefore not originality but an uncommon clear argument backed by a polished expression that makes of the book a classic of both economics and literature. Why is its author then not better known? Because he championed the efficiency of Land Value Taxation so well and identified the underlying cause of social injustice so successfully that he had to be stopped.

And he was stopped, by the so-called neo-classical economists bankrolled by vested interests.

*The socialist mistake [is] looking on capital and labour as the two factors of production and as the two parties to the division of the produce. As a matter of fact there are, in our highly-developed industrial system, three parties of production, and always a fourth and generally a fifth related to distribution. In addition to A the employing capitalist and B the employed labourer, there are C the landowner, D the tax collector and generally E the representative of monopolies other than that of land. What A and B can divide between them is not the product of their joint efforts, but the product which C, D and E leaves to them.*

- Henry George

## WAR – WHO’S THE *REAL* VILLAIN!

*“But when the sky darkens, and the prospect is war  
Who’s given a gun and then pushed to the fore?  
Aye, and expected to die for the land of our birth  
We who have never owned one handful of earth.”*  
Anon.

Would Geonomics lead to an outbreak of multi-ethnic tea parties all over the Balkans? We repeat, Geonomics is not a panacea. Without it, though, there will never be any real prosperity or social justice. Similarly, Geonomics isn’t the panacea for all conflict, but without it there will always be incentives to wage war.

### THE TIMELESS CAUSE OF CONFLICT

The issue is territorial conquest. If you examine the causes of war, you won’t be able to identify many for which territorial conquest was not an important factor. This is especially the case if you broaden the term territory to include *water* (one of the things over which scores of future wars will be fought, many say) and *minerals* (including oil).

Wherever a society exists in which individuals or groups can own the Earth outright and thereby profit enormously, then there’s going to be a great temptation to seize a few of the best chunks. Of course, there’ll be some ostensible justification for this confiscation, such as:

- Some silly nationalistic “principle”, like ethnic pride or vengeance
- Some historical justification, like “we had it first” (selectively choosing how far back in history to go)
- A pre-emptive move of forward self-defense in the face of imminent (or beat-up) threats by a hostile neighbour

One way or another, nearly all war is about territory in the end. As humans are physical beings, somehow stuck in time and three dimensions, this must be ever so. If we are going to claim exclusive and eternal possession of some of the physical environment where our bodies – pretty much locked to our consciousnesses – want to move, then it’s no wonder that one may hear big, loud, angry-sounding bumps sometimes.

### WHAT MAKES LAND SO SPECIAL

Land is limited, a minimum of it is essential for survival, and its quality varies greatly. This presently gives a big incentive to some individuals/clans/tribes/ethnic groups/nations to grab more than their fair share. And, seeing how generals or demagogues in charge usually ensure that their own nests are pretty well-feathered, the poor old plebs are often led into a war from which they will gain little if anything – as the poem at the head of the page well illustrates.

So how would LVT change all this? Well, it wouldn't change it all but it would, for starters, eliminate or greatly reduce that particular incentive for individual or group gain arising through the possibility of claiming ownership of natural resources, including land.

### **A CHANGE IN CONSCIOUSNESS?**

And here's a completely different tack: while greed, malice and cynicism rule human hearts, no system of government can hope to eliminate war. But, given enough time, perhaps an enabling environment would nurture more the virtuous than the vicious side of humanity and eventually bring about peace on a personal level – a sort of bottom-up approach. For instance, the more people there are who understand the philosophy of social justice (not to mention the potential prosperity) that LVT confers, the less likely they are to believe and follow some ranting populist playing the cheap nationalist card to drag a bewildered population into yet another war.

On that very point, Henry George also believed in the innate goodness of humanity, and seemed to inspire it among those who knew him. George was not naïve of our human flaws, yet was convinced that our system of land monopoly capitalism had degraded many of our higher virtues, and herein lay great hope. As Helen Keller said of George, *“Who reads shall find in Henry George's philosophy a rare beauty and power of inspiration, and a splendid faith in the essential nobility of human nature.”* Contrast this to the cynicism of Hitler, who wrote in *Mein Kampf* *“If you wish the sympathy of broad masses, then you must tell them the crudest and most stupid things.”*

If Hitler was right, humanity is irredeemable. If George was right, the principles he enunciated and elaborated could encourage humanity to such a level of social development that few would feel the need to respond to rabble-rousing warmongers. But whatever the case, it cannot be denied that LVT would greatly reduce the financial incentive to violently grab natural resources.

### **GOING GLOBAL**

Want to hear a wild dream of mine? The day might dawn when Geonomics extends beyond arbitrary political boundaries to incorporate all peoples. Nations with natural advantages (mineral wealth, small population, benign climate, well-located sea ports etc.) would voluntarily pay more “international LVT” to a Global Resource Agency than others. Revenues raised could fund sustainable development programs and environmental restoration. Where is the justice in, say, a dirt-poor Yemeni being born on the wrong side of the border with oil-rich Saudi Arabia?

*“There never was a time when the need was greater than it is today for the application of the philosophy and principles of Henry George to the economic and political conditions which are scourging the world ... Permanent peace can only be established when men and nations have realised that natural resources should be a common heritage.”*

- 1<sup>st</sup> Viscount Phillip Snowden, (1864 – 1937), British Chancellor of the Exchequer

# TAX EVASION

*Unemployment for all*

*Not just the rich*

- *(a protest banner spotted in Melbourne recently)*

Wherever land monopolists can gain fabulous wealth without lifting a finger, the ultimate insult to their resource-poor fellow humans is the fact that they, with the assistance of their creative accountants and cunning lawyers, can get away with paying little or no tax.

## **TAX IS OPTIONAL – FOR THE RICH!**

As a general rule, those with the resources to pay, don't pay. Family trusts, dodgy charities, anonymous offshore funds, widespread rorts such as the bottom-of-the-harbour tax schemes, tax havens, the underground cash economy and more exist all over the world because no amount of tax legislation has ever been able to keep up with the widespread means to evade tax. We've had endless tax reforms and promises from governments to make everyone pay their fair share but, if anything, tax evasion is steadily getting worse. The rise of globalisation and its concomitant transfer pricing to companies set up in low-tax or zero-tax countries considerably lessens the ability of sovereign governments to levy taxes from companies and corporations. Governments then look to the softest source from which to extract taxes, through Pay-As-You-Earn schemes and Point-Of-Sale or Service taxes, all of which are to a greater or lesser degree regressive and therefore inequitable.

In the Third World, tax collection is usually an utterly different ball game. There, ordinary people cannot or will not keep financial records for tax purposes, like those demanded of us. Instead, businesses are "assessed" most rudimentarily. A retailer will have his stock roughly valued or a café owner's seats will be counted, and some guesstimate will be made as to the annual income and capacity to pay tax. This method goes back to biblical days, and tax assessors have the same notorious reputation for corruption now as tax assessor-collectors had then. The process is simple: the businessman will grease an assessor's palm and his assessment suddenly becomes much more "reasonable". This is the basic springboard for the Third World's endemic corruption, and it will definitely remain this way until Geonomics is implemented.

## **THERE'S NO ESCAPE!**

The contrast with Geonomics is total. It's not that LVT, as we propose it, cannot largely be evaded - it's that it *cannot be evaded at all!* Land is unique in that it can't be disguised, shifted offshore, or hidden under a tree, a building or a rug.

There is a variety of tools to ensure that LVT assessments are fair, reasonable and free of corruption such as software-assisted crosschecks and comparisons, as well as laid-down formulae covering various assessment factors. But the really important anti-evasion and anti-corruption measure upon which Geonomists insist is that all assessments should be *completely open to scrutiny*. Thus you will be able to visit the nearest office (or website) of the Valuer General and scrutinise your neighbours' assessments and how they were

calculated. And also Kerry Packer's. Here lies another reason why plutocrats and the mega-wealthy fought so hard to discredit Henry George, finally deciding to instead silence him by bankrolling the introduction of neoclassical economics and the virtual removal of Geonomics from economics curricula.

*"I'm proud of paying taxes. The only thing is - I could be just as proud for half the money."*

- *Arthur Godfrey*

# WHY LVT CANNOT BE PASSED ON TO THE TENANT

*“A tax upon ground-rents would not raise the rents of houses. It would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground.”*

- Adam Smith, (1720 – 1790)

Adam Smith’s statement above is the voice of authority. But we are going to prove what he just states. In this section we shall endeavour:

- To prove that a landlord cannot shift a tax levied on land values on to a tenant
- To deepen your understanding of classical economics and
- To stimulate in you a bit of love for the understanding of *real* economics, instead of thinking it as dry and dead boring.

With most commodities, the imposition of taxes leads producers/traders to pass on the tax to consumers, eventually resulting in higher prices and lower sales. But land is something quite unique, as we’ve seen, and doesn’t behave like a mere commodity.

## THE MENACE OF MONOPOLY

Land effectively behaves as a monopoly good – the rent is not determined by any cost of production, for it is already the highest price that anyone will offer for it. There is no substitute for the *valuable* land that individuals and businesses need – one can’t go out into the desert and haul in prime real estate!

The LVT would not somehow increase the willingness of anyone to pay more for the land than before, nor would it in any way add to the ability of the owner to demand more. To suppose that LVT could be just offloaded on tenants is to suppose that landowners did not already get for their land all that it brought. In other words, it supposes that, whenever they wanted to, landowners could put up prices as they please!

## A PARADOX

Here’s the paradoxical twist. As far as one can predict, LVT would - in a country like Australia, with so much valuable unused land - tend strongly to *lower* rents. Owners of unused land who previously were holding out for higher prices would now be driven by LVT to seek purchasers or tenants, thereby having to lower the asking price. And, for land which is being rented, the landowner would have to forfeit part or all of his cut to the government. However the selling price of land, determined by net rents to the landowner, would necessarily be much diminished (with full LVT collection, the selling price would be around zero).

Radical as Geonomics is, here – contrary to appearances - we are not arguing about anything contentious or new. It is generally conceded by knowledgeable economists that the landlord cannot transfer taxes levied upon rent to the tenant. It is accepted that a tax upon anything of which the supply is fixed or monopolised, and of which its cost of

production is not therefore a determining element (since it has no effect in checking supply), does not increase prices and falls entirely on the owner.

### **TAX RENT, NOT AREA**

But here's an interesting and important distinction: a tax on land values is not a tax on all land. And a tax on all land – say, so many fixed \$ per square metre – would actually fall on the *user*. For such a tax – falling equally on the poorest, sub-marginal land as well as the best – would become a condition imposed on the use of any land, from which there could be no escape, and thus the owners of rentable land could add the tax to their rent. But we shouldn't let this little diversion confuse things – Geonomists certainly do not support any tax falling equally on all land, for a tax on economic rent (i.e. on land values) would not fall on all land.

History has something revealing to tell us here. When Henry George was inspiring millions of supporters around the world, it was none other than the big landlords who fought him so zealously, for they realised well enough that LVT cannot be shifted on to tenants. If it could, why the fierce opposition and frenzied cries of “confiscation”? Landlords hate land tax because they can't shift it onto tenants. So they campaign against it by claiming that they **can** shift it onto tenants!

LVT would force landlords to attract tenants, and you don't attract tenants by putting up the rent!

*“A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavourable circumstances, and in those circumstances, as we have so often demonstrated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State.”*

- *John Stuart Mill, (1806 – 1873) English philosopher and social reformer, and an acknowledged major intellectual figures of the 19<sup>th</sup> century*

## WHEN THE LAW IS ACTUALLY RESPECTED

*"I haven't committed a crime. What I did was to fail to comply with the law."*

- David Dinkins, former mayor of New York

This is purely speculative, but still worth a visit. We're going to look at some of our worst social problems and reflect on the extent to which they might arise from our economic and social systems.

Many good, caring parents bring up children who turn out to be a real mess. There must be something wrong, somewhere, with a society where so many people become depressed, cynical, disenchanted, hopeless, alienated etc. as to resort to drugs, vandalism, suicide (the escalating youth suicide figures are deliberately under-reported) or just end up apathetic or anti-social. And it could be argued that rampant, mindless and expensive consumerism is a low-intensity but widespread indicator of underlying discontent.

### WHAT'S MISSING?

One can see some pretty obvious causes, but it still doesn't add up. Institutionalised religions (or, at least, its purveyors) have clearly failed to supply an adequate explanation of our current dilemma, let alone offer just solutions, as people continue to turn away from it in droves. Our cynicism of politicians is somewhat justified, as even a few of the best seem to sell out once they get into power. The bombardment of advertising and trash culture, with all its emphasis on glamour and image, must screw up a lot of impressionable kids. I like the graffiti sprayed on a Melbourne wall stating: *"Obedient sheep love to shop"*.

No, it still doesn't add up, but here's a partial explanation why. All the aforementioned problems take place in an economic environment which simply is not and cannot be understood, and for that reason can never be respected. In particular, taxation – which hits us in the hip pocket more than anything else – springs from a mass of legislation completely beyond the capacity of any individual to understand. In addition, there's disrespect for our tax (and governance) system because there's no clear rationale or validation for its principles. Compared to the elegant beauty of *Pay for what you take, not what you make*, the present tax system is seen as a necessary nuisance at best, but more commonly as an arbitrary means of milking us. Furthermore, the economic and tax systems make cynics and cheats of us all. Cynics - the wage-earning workforce, both blue and white collar - stand in disgust as they witness the rich getting richer as they confiscate the economic rent. Cheats, because everyone else is a cheat when it comes to filling tax returns, so why should I be a mug and be honest?

### WHERE INVESTMENT SHOULD GO

Lastly, social alienation is partly a result of an economic system that cannot afford to invest in community-building amenities and infrastructure. We have seen how such spending effectively disappears into the black hole of landowners' pockets instead of being recycled back to the community through LVT, and we have also imagined *A Day in the Life* which illustrates what affordable community amenities could bring people

Borruso

**Comment [1]:** It is important to distinguish between the musicians and the score they play. Historically you could not support that claim.

together. But the whole area of the personal and social benefits conferred by a stronger community network is a vast and debatable subject in itself, and is beyond the basics of Geonomics in these kits.

*“The only thing that would pacify the people now is the introduction of the Land Value Taxation system of Henry George. The land is common to all; all have the same right to it.”*

- *Leo Tolstoy, (1828 – 1910)*

# BANKING AND INTEREST

*“The seed ye sow, another reaps;  
The wealth ye find, another keeps;  
The robe ye weave, another wears;  
The arms ye forge, another bears.”*

- Percy Shelley, (1792 – 1822), English poet

It's both fascinating and disappointing to see how excessive rates of interest are today so generally and meekly accepted by the public. Only until a few centuries ago usury, which is the old word for the practice of lending money at exorbitant rates of interest, was one of the long-standing worst sins of Christendom. Islam widely outlaws interest and excessive profit margins of any kind even today.

In many respects, the basis for this prohibition is as valid now as it was then. It is this: a significant proportion of the interest demanded is immoral in that it is unearned and therefore undeserved. Certainly the lender needs to be reimbursed to take account of administrative costs, the effect of inflation, and the element of risk involved, but what has the lender done to deserve a rate of return above and beyond this?

## LAND, AGAIN

However varied the factors determining the rate of interest may be, the land issue plays an overriding role. Essentially, the rate of return available from land props up the rate of return available to moneylenders (i.e. the profitability of holding land supports excessive interest rates).

There are two distinct yields available from land. The first, its natural agricultural fertility, is of little importance in the modern world. The second, its locational value, remains as important as ever and is produced by the activities of society, but ends up in private hands under land monopoly capitalism.

The new and extremely important point is that, *in the long run, the rate of return available to investors in land is the most lucrative of all, effectively acting as a de facto benchmark as the highest rate of return, allowing for risk.* Indeed, during the period 1960 – 2000 in Australia, land values increased on average 5.8% pa, whereas household disposable income only increased 1.96% pa. This gets us back to the very nature of land. The fact that it is limited in supply and is an unavoidable necessity for human existence means that rising populations make land increasingly scarce and valuable, thus bidding up its price. The other powerful, sure boost to land values arises from the fact that the locational value of land is increased by society, particularly through the provision of infrastructure. And history has shown that, wherever an industry has boomed through enterprise and inventiveness, land prices soar in its vicinity. For a recent example of this ageless phenomenon, look at the recent spectacular rises in land prices in Silicon Valley.

So, with land being a sure-fire investment winner, why would anyone lend for a rate less than that available from investing in land? The corollary here is that, as we collect LVT and cut out the opportunities to profit from owning land, interest rates must then fall.

The banking issue is not simple and deserves its own section which follows, where the privilege of banks to create credit is specifically dealt with.

*“If it's not hurting, it's not working” (defending high interest rates when chancellor)*  
- *John Major, (1943– ), former British prime minister*

# BANKS AND THE MONEY SUPPLY

*“So long as a few people have the privilege of inventing money, no one in the country except those few people can really possess private property at all. The rest of us in our fancied property are but tenants-at-will of the bankers in the sense that the bankers can at any time that they wish force us to surrender it. It is idle to say that in practice this does not happen. In practice it happens every day. Two hundred years ago Berkeley prophesied that it would happen. One hundred years ago Cobbett showed that it was happening. Today we can see it happening around us.”*

- Christopher Hollis in *The Two Nations*

There is another great and rarely-seen source of privilege milking us – the privilege of private banks “creating” money out of credit. Essentially, through the so-called multiplier effect, banks can lend out far more money than they have as deposits, all the while charging interest as if the basis for their lending was based on something as real as the banknotes in your wallet. Furthermore, banks have claimed a special status and importance such that, when their irresponsible and risky practice of lending money they don’t possess gets them in trouble, governments (read: ordinary mugs like you and I!) often have to come to the rescue and bail them out.

## **FOR PEOPLE, NOT PRIVILEGE!**

The “privilege of inventing money”, like the privilege to own land, needs to become a *source of wealth* for society instead of being, as it is now, a *source of power* for a few at the expense of everyone else. The fraud consists:

- In inventing money *disguised as loans*, and therefore burdened with a debt that has no reason to be
- In inventing money not at the time and for the purpose needed, but at the whim of banks and their clients, i.e. completely divorced from the real economy

The story of how the banking system acquired the privilege of defrauding the public can be read elsewhere. Here it is important to note that high interest rates are indissolubly linked to the land monopoly. When land, instead of being widely distributed, is grabbed by a powerful minority, investing in land becomes the most profitable type of investment, with returns guaranteed with increasing population and public infrastructure growing around it.

With such high returns to land, no one therefore would deposit money in a bank at an interest lower than what land can offer. But banks have to make money, so they have to lend at an interest higher than that at which they borrow. Result: two economies come into being: one reserved to banks and money manipulators earning returns while creating no wealth, and the other, the real economy of production which is either starved of necessary liquidity or forced to pay usurious interest.

## **A COMMON RESOURCE**

The solution is to consider money as what it is, i.e. an *artificial common resource*. As such, it should be issued by the public monetary authority debt-free, when the natural

growth of the economy dictates. How can we determine if the real wealth of an economy has grown sufficiently in order for the government to issue more money? By the value of land, again! Instead of basing our money supply on reserves of gold and the whims of bankers, money should be based on the real wealth of our nation, and nothing reflects our real wealth better than the value of our land and natural resources. Build infrastructure and our land values increase. Clean up the environment, reduce crime, and generally make our nation a better place to live and our land values increase. But do something dumb like get involved in a war and our land values decrease. Land and natural resources should be the true indicator of our real underlying wealth instead of paper profits, funny money and ingots of gold. Some geonomists have been increasingly proposing such a radical monetary reform which would abolish the outrageous privileges that banks possess.

Furthermore, governments should issue money *as public revenue*, to be spent on capital development works like roads, dams, bridges and everything that increases the production of economic and environmental wealth and health. Such an increase in public revenue *from a common resource* would eliminate once and for all the anomaly of the present system, where private power lords it over public resources destroying the environment in the process, and public power plunders the private resources of capital and labour, impoverishing both.

*“Modern privilege: the power of being the first to know insider information, the power of monopoly, the power to disregard foreign borders, the power to sway who gets loans, re-loans and who doesn't, the power to obtain preferential bailouts and payoffs at taxpayer expense, the power to fund foreign interests for special interest gained at local taxpayers' expense, the power to fund foreign depots and tyrannical social engineering, the power to gain preferential access to foreign and domestic natural resources.”*  
- (can't remember where I got this!)

# CURRENCY SPECULATION AND THE TOBIN TAX

*“If fifty men did all the work,  
And gave the price to five,  
And let those five make all the rules-  
You’d say the fifty men were fools,  
Unfit to be alive.”*

- *Charlotte Gilman, (1860 – 1935), American writer*

Speculation in foreign currencies has reached astronomical dimensions, with professionals like George Soros becoming billionaires in the process. But what wealth do they create in all of this? The fact of the matter is that they get something for nothing – and their unearned profits are orders of magnitude more than an ordinary working person could possibly save in a lifetime, all for a few hours of playing the market!

If the foreign currency scene was just like a casino in which players bet amongst themselves, then ordinary folk could not complain. But that’s not the case at all, which is why it’s so lucrative. Some of the unwitting downline losers are taxpayers, ordinary consumers, and small investors in the share market and superannuation funds.

## **BIG BULLY-BOYS!**

Furthermore, in an age of increasing globalisation, when currency speculators are so big and influential that they can manipulate the very markets in which they’re playing, they can sway national economies at their whim. That the foreign exchange market is now so massive as to be, in itself, a source of increasing instability in the economic world is reason enough to clamp down on it. But the *big* reason, it may be argued, is plain ethical: to reap where you don’t sow means that, for every million that goes into a speculator’s bank account, some other people somewhere are going to have to produce a million dollars worth of wealth for which they will not get paid.

The fact that this outrageous form of legalised robbery can have persisted for so long without any preventative action being taken by governments (except, perhaps, in Malaysia) is disturbing to say the least. And, when a fairly effective remedy has long been proposed, it becomes doubly disturbing.

The way speculators have been able to profit until now is by feeding on economic instability and its resulting currency fluctuations. The odds are with them that they can make a small, profitable gain in each of many transactions, but do so in massive enough dimensions as to make hefty profits. The proposed remedy is the so-called Tobin tax, whereby a very modest (about 0.2 - 0.5%) tax would apply to the approx. \$1.8 trillion that crosses borders every day. The revenues from the tax could fund sustainable development programs, peacekeeping activities and the like.

## HOW IT WORKS

The Tobin tax would be enough to make nearly all speculative dealings unprofitable, as well as to alleviate currency instability and related financial crises caused by the immense present levels of foreign exchange trading. This measure would have little effect on ordinary, legitimate transactions. It has to be said, however, that a few Geonomists argue against the Tobin tax, emphasising how the ability to gain ordinate power and to manipulate exchange rates would largely be solved when the land issue is addressed. In any case, others criticise it as it would penalise and obstruct non-speculative financial transactions.

Windfall profits of huge proportions are also made in the share and commodities markets. In a truly free and fair market, the share market plays a useful role in bringing enterprises and investors together for their mutual benefit. But purely speculative profits are unearned in the sense that the profit-maker has created no wealth, and again some *other* mugs, in the end, have to indirectly pay for this.

## THE DISTINCTION

The solution lies in distinguishing between these speculators and long-term investors. The latter are looking for a safe place to invest and a fair rate of return in the medium and long term. Something similar to the Tobin tax might do the job, in that a modest tax would neither deter genuine investors nor greatly diminish their returns in the long run. But it would be enough to deter parasitic speculators primarily seeking short-term profits.

To some extent, the opportunity to make quick bucks exists because of speculative opportunities in the land “bubble” market and the consequent boom-bust economic cycles fuelled by land monopoly capitalism. The whole issue of boom-bust cycles deserves its own section.

*“I think in principle it's a good idea to tax unimproved land, and particularly capital gains (windfalls) on it. Theory says we should try to tax items with zero or low elasticity, and those include sites.”*

- *James Tobin, (1918 - ) American winner of the Nobel Prize for economics*

## BOOM & BUST CYCLES

*Give me a one-handed economist! All my economists say, "on the one hand...on the other".*

- *Harry S. Truman, (1884–1972), U.S. president.*

For all their dismal policy failures, economists always seem to present themselves as having learnt from the past mistakes of others and to have caught on to the right policy mix. And yet they, too, are invariably criticised by the succeeding generation of economists who themselves trumpet the reasons why *they* have now got it right. And nothing exemplifies this ongoing farce more than the debates surrounding the economic boom and bust cycles – or, more particularly, the reasons for economic recessions. We can confidently predict that conventional neoclassical economists will never find the solution in their own gloomy cupboards.

We know already how the failure to distinguish land from capital fatally flaws neoclassical economics at its very core. This confusion has been taken a step further by the real estate business in a way that, when you see it for what it is, verges on the absurd.

### WORDS THAT OBSCURE

Real estate terminology obscures the whole land issue by hardly ever separating land from buildings, but lumping the two together as “property”. So when land prices start rising, the real estate sector terms this a property boom or housing boom, concealing the fact that houses (or capital) cannot but depreciate over time while land always appreciates. They speak of the “housing market” as if houses levitated all over the place. In point of fact, housing construction costs – both labour and material combined – have declined in real terms in Australia over the thirty five years to 1985 by 1%, while over the same period, land price has skyrocketed by a very healthy average of around 6% per annum!

So, the media have convinced the public that a “healthy property market” is a good thing and – hey! – if you’re a speculator, then you begin rubbing your hands with glee as you estimate your latest windfall. If you are a home-owner however, your “new” net worth is of little benefit if you intend selling up and moving, since the price of the home which you intend to buy will in most cases have risen by a similar margin, so where is the gain? Well, we’ve got news for you. It is rising land prices that precede and are the primary cause nearly all economic recessions. First, these recurrent booms starve the economy as funds are poured into land instead of productive capital, and second, they choke any immediate chance of recovery as businesses have to pay more and more for land.

Now we get back to the peculiar nature of land. In a growing economy, land prices must rise because competition for land sites cannot be satisfied by producing more sites. While the real estate industry is merrily singing about the vigor of the property market, the cost of space begins to outpace profit margins, and the economy is headed for a recession.

### **“RUSH FOR THE EXIT!”**

But we never spot the looming recession before it's too late, because once people observe a rise in land values, they too want to get in on the act, thus pushing up land prices even further. And away we go on this boom that isn't a boom at all, only a speculative bubble!

We do get a few warnings, but our learned friends in the real estate sector dress them up as indicators of rosy investment opportunities. As the real estate market continues to “strengthen”, the cost of occupancy forces companies either to pay up even more or move elsewhere. And the suffering soon spreads, because unrealistic land prices must take a cut from the returns to labour and capital. As a result there is less purchasing power to buy the goods and services of others, general production is checked, and the whole downward spiral towards recession has begun.

At a certain point in the land boom, buyers realise that the yields on their investments are not keeping pace with exorbitant land values, and demand for land drops, in turn causing prices to level off. This is the moment of collective *déjà vu*. Suddenly the speculators realise, “Uh, oh! I think I've been here before!”, and begin panic selling as they realise that their investments could earn more elsewhere. The turning tide becomes a flash flood, as speculators recognise that the only way out is to sell quickly before prospective buyers realise that the bottom has dropped out of the market. At the same time some start to default on loans which they had taken out to make their now-overvalued speculative purchases, and at this point the banking sector is involved in the domino effect. The banks have over-extended themselves on the speculative land bubble, and when they must start to recall their loans, the knock-on consequences can be even more severe.

### **YOU KNOW THE REST.....**

The rest is history, literally. Speculation in land (or in the shares of companies owning natural resources) can be isolated as the prime factor for practically every periodic panic that has caused economic crises. Of course, there are all sorts of *contributing* factors or even *effects* that governments, real estate professionals and neoclassical economists will claim to be the major cause of recessions. In the 19<sup>th</sup> century, governments often used the printing presses to increase the money supply in desperate attempts to stave off the inevitable crises. The restrictive trade policies of the Great Depression were not really a cause but rather an outcome, which in turn exacerbated things. But the great initiatory cause is invariably the speculative advance in land price, but it's difficult to spot because it does its dirty work while everyone is crying, “Boom, boom! Robust land market!”

Broadly speaking, the recession will continue until one or more of three things occur:

- Land values fall to affordable levels again
- The efficiency of labour and technology increases
- Labour and capital are forced to accept cuts in wages and interest.

A boom can never be genuine under land monopoly capitalism, for speculators inevitably bid up the price of scarce land. And when money is diverted to speculative purposes, it is effectively sterilised, for buying land does not create wealth (machines or jobs).

*“The bigger the real-life problems, the greater the tendency for the discipline to retreat into a reassuring fantasy-land of abstract theory and technical manipulation.”*

- *Tom Naylor, American economics professor*

## WHO WILL OWN THE LAND?

*“For justice to be done between men it is not necessary for the State to take the land; it is only necessary to take its rent.”*

- Henry George, (1839–1897)

The above quote just about says it all. However, because of a good deal of misinformation about this aspect of Geonomics (with a liberal sprinkling of half-baked, alarmist words such as *socialisation*, *nationalisation* or *confiscation* with respect to land), we need to get things straight.

Land titles would definitely still exist with Geonomics. People would still have “their” home and “their” privacy, and there’s nothing unfair or unreasonable about that. Indeed, it is a universal human need that cannot be denied and should not be thwarted. Importantly, land occupancy requires not so much absolute and outright ownership, but security of tenure, and as a corollary, the freedom to do as one wishes with the site, within the limits of course, of existing social mores. Whether building a house, enrolling your kids in the nearby school, or just wanting to contribute towards building up a neighbourhood, you would want to know that you would be able to occupy your home site for as long as you wished. Hence, your name would still be on a register of land titles, and no one could compulsorily buy or force you out as long as you paid your community dues in the form of LVT. Council by-laws allowing, you could even put up fences and “Keep Out” signs. All the trappings of present-day land ownership would still be there.

### WHAT IS OWNERSHIP?

But what does “ownership” really mean? Do we *own* our income if the government takes a big cut of it and calls it taxation? Are we all *part-owners* of urban infrastructure and national parks? Do we fully *own* our cars if we have to pay registration and insurance, or if we are subject to all sorts of restrictions on their use? Can we be said to *fully* own our personal assets if inheritance taxes take a big chunk of their value when we drop off the twig? If you employ people, can you say that you own part of their *time* (and that you own them to a degree)? The point is that the concept of ownership is not always black and white, and the same applies to land under Geonomics.

On the one hand, occupiers of land would be owners in the sense that they would have the legal security of tenure as well as all the privacy and personal liberty today accruing to home ownership. On the other hand, occupiers would be required to discharge their dues to the community for their exclusive occupancy of land, the value of which they did not produce. So with Geonomics, what people do not “own” is the community-created *benefits* of the land they occupy, for which they would have to pay.

### BUT WHAT’S YOURS IS YOURS!

But don’t forget these important points. Occupiers will unquestionably own outright their houses and other improvements to their homes – and they would never get penalised for

improvements through local rates, which today are often partly based on the value of improvements. Nor will people see a part of their income or purchases confiscated through the tax system. Effectively, we would all become co-owners of *all* the land and natural resources, as the rent from them is pooled into the community coffers for the benefit of all. By some calculations we could even receive a considerable Citizen's Dividend from the unspent surplus.

What about those who might be disadvantaged by the introduction of Geonomics? It should be stressed that there would be few such people, but there would be a few deserving types who would qualify for schemes (too detailed to mention here) such as limited compensation or deferral of LVT for some on valuable land with low incomes and too old or incapacitated for employment. There is no reason why other types of pensions and disability payments would need to change.

*"Whilst another man has no land, my title to mine, and your title to yours, is at once vitiated."*

- *Ralph Waldo Emerson, (1803 –1882), noted American poet and essayist*

## INDIGENOUS LAND RIGHTS

*“When the white man came we had the land and they had the Bible. They taught us to pray with our eyes closed and when we opened them, they had the land and we had the Bible.”*

- Jomo Kenyatta, (1889 – 1978), prime minister of Kenya

Before European settlement/invasion, Aboriginals generally, we are told, had a beautiful thing going – they *really* knew how to share. Each tribal group was a custodian of a traditional area, and all were taught how to look after and respect their ancestral land. They belonged to the Earth, and not the other way around. No individual *owned* any land, and none could personally profit from Nature’s gifts.

These are Geonomic principles, pure and simple. However, Geonomics has developed things such that each person is, in effect, the co-owner of the *entire country*. Geonomics further allows for those wishing to live in fixed abodes to take advantage of infrastructure, allocating land of greatly unequal value in an elegantly fair manner.

### **WHITE-FELLA THINKING!**

Geonomics has so much to offer the indigenous population (as well as everyone else), if only they knew of it. On top of all the other tragedies Aboriginals have suffered at the hands of Europeans is the fact that many have adopted the prevailing concept of land as property and are thus claiming exclusive ownership of land rather than the more traditional notion of guardianship.

Another problem is that the planet is a much more crowded place these days, and there’s not enough land to enable small groups to live on large expanses of land as nomadic hunter-gatherers. And we can’t turn the clock back 200 years and return the continent to its original inhabitants - indeed, if the federal government learned how to treat refugees with a lot more respect, there’s a good case for how Australia has a moral duty to take in a lot more immigrants.

### **SELLING YOUR MOTHER?**

Given our admission of European culpability for all the misdeeds of settlement/invasion and its present-day consequences, it’s time to talk frankly about those Aboriginal leaders who are now claiming a spiritual relationship with the land and that the Earth is their mother, yet in the same breath asserting ownership of vast tracts of land with exclusive rights of occupancy as well as mineral royalties. Or those who say that their connection to the land is something deeply spiritual and priceless ..... and they won’t accept less than \$5 billion a year in rent!

These – even if well meaning – contortions, if carried through, will establish an institutionalised, perpetual race-based class of landlords and tenants, and in so doing, perpetuate the very injustices we are attempting to eradicate.

### **“I SAW IT FIRST!”**

And what, if anything, is the basis for the race-based privilege of indigenous land rights? “Prior occupancy”, no less! So because someone’s distant ancestors, whom he never knew, got to a continent first, they claim *ownership*! The logic of this declaration is certainly worth examining. So then, what if new archeological evidence came to light which revealed that a certain Aboriginal clan are the sole descendants of the very first guy who crossed the Torres Strait? Could this clan then say, “OK all you whitefellas *and blackfellas* descended from the later arrivals ..... you *all* have to pay us the rent for living in Australia, or clear out!”

Or what if Australia hadn’t been occupied when the first Europeans landed? Could the king who sent the ship have personally claimed ownership based on first occupancy, or would Australia more rightly belong to the ship’s captain? But hang on! – what if one of the oarsmen jumped off the boat before the captain, and was first to hit the beach? But, wait! – the oarsman was wearing boots, and his skin never touched the soil until after the first mate slipped over on the beach and got a face full of sand!

Steady on, guys - what about me?! Where’s *my* share of the Earth? Do I have to return to England and Ireland where my ancestors had “prior occupancy”, and can I then tell those Pakistani and West Indian immigrants to clear off or else pay me rent for standing on my homeland? No-one stands on *my* spiritual motherland for nothing!

### **ACTUALLY, IT’S ALL PRETTY SIMPLE**

The Earth and its bounty are the birthright of *all* humanity. Land and natural resources are our *equal and common* inheritance, regardless of race, creed, or gender.

But it’s true that culture, history, attachment to place and arbitrary national boundaries have complicated these straightforward principles of human rights. And there is a clear case in Australia for studying and acknowledging the shameful history of European invasion, saying “Sorry” on behalf of our ancestors, and trying to make amends as best we can. If this means special programs, roles, and grants for Aboriginals in order to help them out of their appalling condition, then let’s do it. And we should acknowledge Aboriginals being the first occupants, caretakers and custodians, but don’t use that word “ownership”, OK?

*“The whole of the people have the right of the ownership of land and the right to share in the value of land itself, though not to share in the fruits of land which properly belong to the individuals by whose labour they are produced.”*

- *Alfred Deakin, (1857 – 1919), Australia’s second prime minister*

## LIES, DAMNED LIES AND ....

*“Statistics are like bikinis. What they reveal is suggestive, but what they conceal is vital.”*  
- Aaron Levenstein,

Part of the reason we're being misled and confused by economics is due to the way it's being expressed, and particularly the statistical methods of summarising economic performance. Thankfully, the environmental movement has done much in recent years to expose governmental fraud in window-dressing statistics to misrepresent economic performance.

The main cause behind the skewing of statistics is the failure to properly take into account natural resources. There's a huge wealth of "natural capital" that we can either preserve or run down, but conventional economic statistics never measure the contents of this vital storehouse. Our economic guardians prefer to look at their measures of income and expenditure, and largely exclude the balance sheet side of the ledger. In other words, measures of national income fail to account for whether our natural resources are being preserved or run down.

### BEANCOUNTERS IN CHARGE

Accountants rule! Nowadays, income is just assumed to equate to human well-being, and what nonsensical activities are measured to reflect income! It will reportedly increase if, for example:

- We build more jails (no matter what the levels of crime)
- More people are hurt or killed in car accidents (which results in a sort of economic activity)
- A priceless forest is clear-felled thus "creating jobs"

And what wealth is being ignored? – our storehouse of minerals, oil, topsoil, ozone shield, fish, forests, biodiversity, clean air and water, urban parkland, stable climate etc. The consequence is that our highly-paid professional statisticians and economists tell us that we're achieving (their calculation of) positive economic growth while completely ignoring how such natural resources might be plundered on a wholly unsustainable basis. Geonomics would instead provide the statistical and qualitative data that would greatly assist us to better measure, guard and preserve our natural resources, as well as collecting resource rents from those to whom access to such resources has been granted. The very nature of Geonomics concerns itself with this sort of valuation and resource rental. That is why so many robber barons fought to suppress Henry George's work, supplanting Geonomics with conventional, academically driven economics.

### FUDGED FIGURES

Many of us are aware of how unemployment figures are fudged to understate real levels of unemployment and underemployment. Deliberate falsifications also occur with that other important economic indicator, the Consumer Price Index (CPI). In 1998 the federal

government directed the Australian Bureau of Statistics to remove three very significant components of the CPI that had been escalating alarmingly, namely:

- Consumer credit charges
- Mortgage interest charges
- The cost of the land component of new home purchases

So if you think you're working harder but getting less for your efforts, don't swallow government claims to the contrary! One important indicator that cannot be fudged is the rarely-publicised, declining percentage of Australian homeowners.

### **A NATURAL PARTNERSHIP**

Geonomics can work hand-in-glove with some excellent alternative indexes of well-being, most notably the GPI (Genuine Progress Indicator). This seeks to take into account the level and health of our natural resources as well as qualitative factors such as health of the population, crime rate, quality of education, drug dependency, cultural integrity and/or diversity, artistic accomplishment, and so on. Up until now, our statisticians have applied a rule that says, "If it hasn't got a \$ sign in front of it, we can't measure it" (and therefore, for all intents and purposes, it does not exist).

Is it any surprise that the GPI actually shows a decline in Australia and the USA over the last 30 years?

The failure to properly examine the nature of land has even led our bean counters astray with their captivating accounting standards. Accountants go to all sorts of lengths to count and properly value every last bean, but when it comes to land, guess what? Even though land is often the biggest balance sheet item, it is traditionally valued at "historical cost" (i.e. at the dollar figure for which the land was purchased). There are few legal requirements to perform regular revaluations of land, which often results in a grossly understated reporting of a company's net worth. For those with inside knowledge, this practice presents them with exclusive information on which they can capitalise (at others' expense) in share trading. Of course, such valuation problems could not exist with Geonomics.

*"Economists are people who work with numbers but don't have the personality to be accountants."*

## LOCAL AND GLOBAL GEONOMICS

“The meek shall inherit the earth – but not the mineral rights.”

- Jean Paul Getty (1892 – 1976), billionaire oil tycoon

Rather than requiring a highly centralised body overseeing the collection of LVT and resource revenue, Geonomics proposes to devolve power to a range of relevant authorities at different levels of government.

LOCAL Local governments are ideally positioned to collect LVT on sites for homes, businesses and farmland surface land values. In Australia and many other places council already levy rates. However the rates collected today are minimal, are usually based on land and *improvements*, and have all sorts of flaws such as fixed charges, maximum or minimum thresholds, and exemptions. In immediate financial terms alone, the vast majority of ratepayers would benefit from LVT, the exceptions being speculators and businesses which waste valuable expanses of land (such as sprawling car yards and derelict factories on prime real estate).

REGIONAL State governments are best constituted to collect user fees for forestry and water resources.

NATIONAL The federal government is in the best position to collect user fees for fish caught in national waters, oil and mineral resources.

GLOBAL We mentioned a possible role of a **Global Resource Agency** in equalising natural advantages between nations, but there’s a much more achievable role this body could take in collecting user fees from our *transnational* commons. This includes site fees for satellites placed in geostationary orbits, royalties on minerals mined in international waters or the Antarctic, royalties on fish caught in international waters, and for use of the electromagnetic spectrum.

Many taxes or fees based on the polluter-pays principle would clearly fall within the province of the Global Resource Agency. Here significant global revenue sources could, for example, be levied on aviation fuel, international shipping, and dumping at sea (where that would still be allowed). These could all be construed as site and resource rents in the broad sense of those terms. If a polluter is dumping into a river for example, and thereby rendering x million cubic metres of water nonpotable, he would be charged a rental value for that resource usually equivalent to the cost of returning the water to a potable state. Such a charge will soon force polluters to look for cleaner production processes or be forced out of business by such punitive site and resource rents.

This agency would also be best placed to administer the proposed Tobin tax on currency speculation. And, if international arms’ trading is not to be entirely abolished, the agency could be given the authority to impose a heavy “misery tax” on it.

There's a valuable monitoring role that the Global Resource Agency could take in being responsible for safeguarding the global commons (e.g. air quality, ozone shield, ocean fish, worldwide biodiversity etc.). The agency could determine access rules, issue permits, collect resource revenue and levy fines.

Not only would the access fees to the Global Commons ensure careful use of our common heritage resources, but also this revenue could go a long way towards solving some important problems. Where should the money be spent? Global Geonomics has no spending doctrine or dogma, but here are a few suggested uses:

- Sustainable development programs
- Environment restoration programs
- The facilitation of policy convergence in areas such as trade, currency exchange, pollution targets and human rights
- Population control programs

*This sin (of land ownership) can be undone, not by political reform, nor Socialist schemes for the future, not by revolution in the present, and still less by philanthropic assistance or government organisation for the purchase and distribution of land amongst the peasants ....The method of solving the land problem has been elaborated by Henry George to a degree of perfection that under the existing state organisation and compulsory taxation, it is impossible to invent any better, more just, practical and peaceful solution."*

- Leo Tolstoy, (1828 – 1910)

## FREE TRADE OR PROTECTION?

*“That's free enterprise, friends: freedom to gamble, freedom to lose. And the great thing -- the truly democratic thing about it -- is that you don't even have to be a player to lose.”*  
- Barbara Ehrenreich (1941- ), American author and columnist

Lots of provisos can be added later, but this is the basic position: we believe in free trade only if it's fair trade. Today it's hardly ever fair and it's far from free, since it is dominated by ruling monopolies in all the larger economies such as the US, Japan, Germany, the UK, etc – but it can be.

The great advantages of free trade were never more eloquently spelt out than by Henry George himself, but these benefits have been overshadowed and confused by the way the threatening aspects of globalisation have spread in recent years. Globalisation has appeared all the more menacing because of the way the plutocrats who control transnational organisations have been calling for the last barriers to free trade to be removed. The trouble is, they don't give a damn about freedom! Instead of allowing real free trade, the big boys seek to further strengthen their monopoly privileges and political influence in order to produce greater disparities in wealth.

### **MANY DISADVANTAGES OF FREE TRADE**

Cultural diversity is one of the things that undoubtedly makes life more interesting, and its erosion by unrestrained free trade would be an irretrievable loss. Who wants McDonald's and other global chain stores in every shopping centre? This evaluation obviously requires difficult value judgments to be weighed against the possible economic benefits. But cultural heritage and diversity have been grossly undervalued by the bean counters who ignore it for not having a \$ tag on.

National independence and security can be threatened by free trade, in that a country can become too dependent on trading partners to provide essential goods and services up to basic foodstuffs.

There are often hidden environmental costs to free trade, especially when goods are transported over vast distances and exporters are not paying the full costs of using scarce resources and of polluting the global commons. Furthermore, recent trade agreements have been based on environmental standards coming down to the lowest common denominator when they could just as easily have been based on the highest.

Perhaps the loudest outcry against free trade and globalisation has been against the increasing exploitation by transnationals of “factory fodder” in developing nations. Even the *threat* of the physical transfer of industrial plant to low wage countries further erodes the bargaining power and wages of workers in the West.

And transnationals can bully their way and dominate markets with monopoly or cartel powers, often playing off nations against each other to extract all sorts of tax concessions.

But, when the time comes to pay what little tax is owed, transfer pricing allows them to shift their profits to low-taxing offshore locations. Furthermore, the rapid movement of capital in and out of nations exacerbates economic uncertainty and instability.

### **BUT DON'T DISCOUNT ECONOMIC PROSPERITY!**

Having made these admissions, we must hasten to add that free trade has given rise to enormous economic prosperity. The efficiencies from fully utilising each nation's natural advantages are evident in any supermarket or electrical goods store. Self-sufficiency has enormous costs, keeping people working far longer than they need to. Those who cry loudest for protectionist policies are often the most wasteful and inept domestic producers, who are effectively subsidised by the public.

But will Geonomics address the current problems of free trade, and bring about *fair* trade? Let's examine the problems one by one.

### **HOW GEONOMICS FITS IN**

Concerning the erosion of cultural diversity, Geonomics can help a little. The LVT assessment process can assist in quantifying the intangible cultural benefits of, say, retaining a traditional inn rather than replacing it with a global-franchise motel. In the end each community, knowing the cultural costs of certain moves towards free trade, would decide how badly it wants to preserve its culture and how far to cash in on it without underselling its cultural heritage.

Geonomics would easily solve the rest of the problems arising from free trade. The collection of full resource rentals would prevent any underselling of the environment. Exploitation of Third World factory fodder could never continue after addressing the root cause of unemployment. The way Geonomics opens up a multitude of domestic investment opportunities in both the public and private sectors would no longer coerce developing countries to beg for investment by transnational monopolies. And transnational tax avoidance would most clearly end – no one can hide land or evade the tax assessed on it!

*"If Max gets to Heaven he won't last long. He will be chucked out for trying to pull off a merger between Heaven and Hell...after having secured a controlling interest in key subsidiary companies in both places, of course."*

- H. G. Wells, (1866–1946), referring to Lord Beaverbrook.

# UNEMPLOYMENT – THE PIECES OF THE PUZZLE

*“Those who make private property of the gift of God pretend in vain to be innocent. For, in thus retaining the subsistence of the poor, they are the murderers of those who die every day for the want of it.” (Cura Pastoralis)*

- Pope St. Gregory I (The Great), (540 – 604)

If only the solution to this and other economic problems was simple to explain... Then the world wouldn't be in this situation, people wouldn't be bamboozled by economics, and you wouldn't be reading this.

Of all economic problems, probably the most difficult to explain is unemployment, whose very existence is evidence of the madness of our present economic system. On the one hand we have all the work that badly needs doing, and on the other we have the countless millions of people who are prevented from doing that work. All the conventional think tanks in the world have not been able to solve this straightforward puzzle, because they are handicapped from the outset by their failure to distinguish between land and capital.

## **MANY STRANDS**

There are so many aspects to the problem of unemployment that we've had to take the long route, spiraling around and around until the big picture is built up. We've examined many other aspects of economics, but the problem of unemployment is such a curse – such an *unnecessary* curse – that it's worth trying to get clear about it by pulling together most of its strands here. Geonomics is not preoccupied with making everyone work long and hard. In fact, we're convinced that we're working far too hard for far too little return. Social justice, prosperity and much more leisure time can co-exist.

A summary of what we've said about unemployment goes like this. The unique qualities of land are not recognised by neoclassical economics. Whereas capital and labour are punished and discouraged by taxation, LVT doesn't provide a disincentive but rather compels landholders to use their land optimally. And with public sector investment, there are endless employment opportunities arising from the way LVT recycles the value of government investment back to the community for further investment.

In agricultural areas of developing nations we see some of the worst examples of unemployment (or underemployment) and grinding poverty. There, the power of land monopoly capitalism enables the traditional landowning families to sit back and wait until the desperate landless are forced to accept subsistence wages. The landless are landless because they can't create their own land, the first ingredient in any productive endeavour. But LVT would put the boot on the other foot, forcing huge amounts of underused land on to the market and forcing landowners to offer fair wages.

In the West, it's more often than not the high price of land which stifles production and employment. The full collection of LVT would actually *eliminate* that great obstacle to business and employment (or simply living!), the cost of land. We have been stooaged by real estate dealers into thinking that high land prices are "healthy" rather than crippling. The diversion of investment funds from productive enterprises into purchasing land is another related cause of unemployment.

### **IDLE LAND, IDLE HANDS**

Land speculation leads to idle land, and idle land to idle hands. LVT would prevent all forms of land speculation: would-be profiteers couldn't afford to wait for the community to build up the value of their idle land because all the time they would have to pay LVT.

The huge amount of present waste, inevitably arising from land monopoly capitalism, could instead be changed into employment-creating opportunities. Such waste results from undervalued natural resources, and can be seen in urban sprawl, in the huge inefficiency of our tax system with its crippling compliance costs and all the attempts to thwart it (including the black economy).

*"The earth is given as a common stock for men to labor and to live on ... Wherever in any country there are idle lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right".*

- Thomas Jefferson, (1743 – 1846)

## TAKING IT FROM HERE

*“It does not matter where you look or what examples you select, you will see that every form of enterprise, every step in material progress is undertaken only after the land monopolist has skimmed the cream off for himself and everywhere today, the man who wishes to put land to the highest use is forced to pay a preliminary fine in land values to the man who is putting it to an inferior use, or no use at all. All comes back to the land value.”*

- Winston Churchill, (1874 – 1965)

Did we live up to our promise? Did we manage to explain some of the most insoluble aspects of economics in clear, plain English? We’ll make another promise – it doesn’t get much more complicated than this, but it *will* become even more profound. We should add a word of warning here: when the penny drops and you realise the enormous importance of the Georgist message or mission, you’ll never be the same!

You have many other options at this point. Come and meet us – we have regular new members’ nights and periodically schedule economics classes – our North Melbourne office is easily accessible by public transport. There’s a good selection of books and other literature on sale, and laid-back facilities where you can make yourself a cuppa and relax. Hours are Monday to Friday from 9.30 a.m. to 4.30, but ring ahead to ensure the office will be open.

- We have sister organisations in NSW, South Australia, Queensland and Tasmania - contact Prosper for current contact details.
- Roam the two websites set up by Melbourne Geonomists:
  - \* The EarthSharing site at [earthsharing.org.au](http://earthsharing.org.au)
  - \* The tax reform site at [prosper.org.au](http://prosper.org.au)From here, links exist to a multitude of other Australian and overseas sites.
- You can put your name on a notification list to be made aware of the next round of our economics classes “Understanding Economics and Social Justice”. These classes are scheduled regularly and are held in our city premises. Just phone the office.
- We can also suggest a short reading list, including modern works as well as a few of the classics of Henry George himself.

We recommend a bit of surfing around the two websites set up by Melbourne Geonomists:

\* The EarthSharing site at [www.earthsharing.org.au](http://www.earthsharing.org.au)

\* The tax reform site at [www.taxreform.com.au](http://www.taxreform.com.au)

From here, links exist to a multitude of other Australian and overseas sites.

Don’t forget that you can be listed to be notified of the next round of our classes “Understanding Economics and Human Rights”.

For those would rather get their teeth into a book at this stage, we recommend:

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Comment [2]: Unclear.

- *Elementary Economics* by George Charles, a veteran Melbourne Geonomist. He wrote this 90-page overview for his classes at the University of the Third Age.
- *Social Problems* by Henry George. A wonderfully readable book, more philosophical than economic.
- *The Corruption of Economics* by Prof. Mason Gaffney of California and Fred Harrison of England. It's a powerful exposé of how neoclassical economics was installed to get Georgist economics out of the public eye. It's my personal tip – once you read it, you will never be the same. 260 pages

If you live in the country, we can probably arrange to put you in touch with Geonomists near you.

If you want to get stuck into some serious reading, we can make a few recommendations. Here is another of my favourite books - it's a compilation of all the major attempted criticisms of Geonomics by economists and academics over the last 100 years, and the Geonomic rebuttals. The book is "*Critics of Henry George*", edited by Robert V. Andelson, published by Associated University Presses, and available from our city premises. We can also provide you with short brochures covering a range of topics.

Details of our free introductory offer to our magazine *Progress*, classes in economics, and Geonomic websites are given in the Introductory and Intermediate Kits. It leaves us, then, with the big issue of how deeply you want to take this.

Let me suggest to you that you don't need to commit yourself until you're absolutely convinced. Geonomics and today's neoclassical economics can't both be right – one of them has got it badly wrong, and you owe it to yourself to discover which.

So before you think about becoming a member, convince yourself that our claims are as immensely important as we claim. You may yet discover the feeling that grips many Georgists, the kind of joy of which the Irish patriot, John Mitchel (1815-75), spoke, "*To have a great aim and a cause, is this not happiness? Is there not a joy that colder, tamer spirits never know?*"

But if you are satisfied with the claims of Geonomics, perhaps the best thing you can do is to talk about it with all the enthusiasm and conviction you can muster. Talk to friends, talk to family, talk to whomever is willing to lend an ear – our movement needs wider public understanding and the support arising from it.

Perhaps you already convinced and eager to get more actively involved? Then, by all means, do so. Whatever you do will always be welcome. Membership is \$30 per month, including a year's subscription to *Progress*. You could also attend our monthly committee meetings at Hardware St. on the second Thursday of every month at 6.40 p.m. Our meetings are open to all comers, members or not, and there you will hear about our projects. We also mail out notices of occasional social functions.

Whether you become an executive on our committee or not, your suggestions and involvement are truly needed, especially in advertising, promotion, lobbying and playing politics. It's a bizarre world, and we're weird custodians!

*“Every increase of population, extension of trade, every advance in the arts and sciences would, as we all know, increase the value of land, and the competition that would naturally arise would continue to force rents upward, so much so, that in many cases the tenants would have little or nothing left for themselves.”*

- Mark Twain, (1835 – 1910)