

ECONOMICS & SOCIAL **JUSTICE IN AUSTRALIA**

INTERMEDIATE KIT

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INTRODUCTION

“The rich grind the poor into abjectness and then complain that they are abject. They goad them to famine, then hang them if they steal a sheep.”

- Shelley (1792 – 1822)

We’re going to continue to move in a spiral, rather than on a narrow-focused reductionist path. That is, to keep you with a vision of this big picture, we’ll carry on moving around and around this great body of Geonomics, observing a number of its many aspects. With the wider perspective in view, we’ll then start to grapple with the details. This Intermediate Kit revisits some of the topics covered in the Introductory Kit, but it also introduces some new subjects.

In a sense, there’ll always be new aspects to discover with Geonomics. Economics is unfortunately a dirty word these days in many circles, which is a tragedy because it’s really an awesome and endless source of insights. Some of the many fields related to economics which we’ll visit are:

- philosophy
- prosperity
- the environment
- ethics
- politics
- technology
- history
- sociology

But – incredibly – who bothers to study economics today besides professionals? Yet is there anything more important to understand than economics – the great attempt to find out what makes our world go around – except the great Journey to understand our very selves?

All the facets you gaze upon are not of equal size or luminosity, and there’s one area that clearly outshines all the rest. If this is the only facet upon which you gaze and understand, then the energy you’ve spent on Geonomics will have been amply rewarded. This facet is, in many ways, the keystone of the arch of economics. We refer to the mystery – some would say the *madness* – of unemployment.

The existence of unemployment *should* strike one as being quite absurd. On the one hand there are millions of people – many highly-skilled – wanting to work, some desperately so. And on the other hand there is work aplenty to do – to care for the elderly, to clean up the environment, to build better housing, to improve our teacher-student ratio, to expand our infrastructure etc. etc. And yet, these two things can’t presently come together to satisfy each other.

So we're spiraling around, looking at all sorts of interesting aspects, but not haphazardly. For we're deliberately preparing ourselves to reach the top of the spiral, to find the great economic key which will impact on just about every other aspect. For if you solve unemployment then you unlock one of the mighty doors to prosperity, and if you abolish the great curse of poverty then you'll find that there are powerful and positive impacts on all the other problems concerning the environment, social problems, war, education and more.

Sounds mad, doesn't it? That we should claim to have an answer to something on which politicians can never deliver, over which think tanks continue to scratch their heads, that highly-educated academics cannot answer. Now just visualise all these important people striding back and forth, heads down and deep in thought over the Riddle of Unemployment. The wonderful irony is that they're looking at the solution! In fact, they're standing on it – it's the Earth itself! *The Earth Belongs to Everyone!* And, factoring into our economic theories the distinguishing features between land and capital, the laws of economics are turned the right way up and now stand out by themselves!

So, with that tantalising clue as to where we're ultimately headed in the Advanced Kit, let's do a bit of spiraling.

"A fine is a tax for doing wrong. A tax is a fine for doing well."

- Anon.

REAL ENVIRONMENTAL STEWARDSHIP

“We shall never understand the natural environment until we see it as a living organism. Land can be healthy or sick, fertile or barren, rich or poor, lovingly nurtured or bled white. Our present attitudes and laws governing the ownership and use of land represent an abuse of the concept of private property.... Today you can murder land for private profit. You can leave the corpse for all to see and nobody calls the cops.”

- Paul Brooks, in *The Pursuit of Wilderness* (1971)

Henry George laid down the principles of sane environmental policies half a century before the world's attention began to focus on the natural environment. To paraphrase his deep and far-reaching environmental philosophy: “The use of Earth's scarce natural resources should be strictly and equitably rationed by a system of resource rentals.”

NEOCLASSICAL ECONOMICS VS. GEONOMICS

Due to the current dominance of neoclassical economics, the environment has been so recklessly plundered largely because of the blurred distinction between private property and that of our natural environment, the Global Commons. Put simply, private property is that which is created by labour, whereas the Global Commons is that which is provided by nature. They require totally different economic treatments. We assert that the gifts of Nature should not be treated as mere commodities, to be bought, sold, speculated upon and abused for profiteering!

Geonomics removes taxes from wages and other private property and increases taxes and user fees on common property. Reducing taxes on labour increases purchasing capacity, and reducing taxes on capital encourages efficiency. Shifting taxes on to land and natural resources curbs speculation and private profiteering in our common property, and clearly is a practical way of conserving and fairly sharing the Global Commons.

GREEN TAXES AREN'T GREEN ENOUGH!

We applaud wholeheartedly green tax reforms which have started to increase taxes and fees on:

- Emissions into the air, water and soil
- Oils and minerals
- Lands used for timber and grazing
- Oceans and freshwater resources

However, to be consistent and environmentally responsible, we argue that green tax reforms should also increase taxes and fees in 3 other areas:

1. Satellite orbital zones and aircraft flight paths
2. The electromagnetic spectrum

..... these are scarce resources that have been enormously undervalued up until now.

Almost everywhere they have been sold off to the highest cash bidder (usually to plutocrats with political influence) instead of governments having implemented a

scheme of regularly-reviewed resource rentals. This looting of the Global Commons by the Kerry Packers of this world forces governments to burden us with taxes on:

- honestly-earned wages and salaries
- productive and sustainable capital and investments
- sales, especially of basic necessities

But the third outstanding green tax reform is the great current blind spot of environmental lobbyists, being a tax on none other than:

3. Land sites according to land value

In the Introductory Kit, we touched on a number of the environmental impacts of land value taxation (LVT). The following is a brief outline only – these kits can only hope to outline the enormous implications of Geonomics.

THE GREAT – AND UNSEEN – GREEN TAX

LVT, as we've seen, strongly encourages land to be put to its optimum use as an occupant must pay the full LVT whether the land is being fully utilised or not. Land speculation, whereby a speculator or "developer" can simply sit on a large parcel of land and wait for population and infrastructure to build up its value, would become unprofitable. Parks and well-used public spaces would certainly remain, but not underused tracts of land. In other words, LVT is a recipe for the reining in of urban sprawl.

The resultant compact, less wasteful urban landscape will have a multitude of environmental mega-benefits. Extensive public transport will become feasible in a smaller area, as will cycling and walking. And we have already seen how public investment in fields such as public transport will become affordable when increased land values are "recycled" or recovered through LVT. Furthermore, a compact Geonomic cityscape won't require the enormous consumption of resources as when roads, pipelines and other infrastructure have to bypass kilometres of unused and underused land to reach the outer limits of the suburban sprawl. Remember, too, the environmental costs of long and wasteful commuting journeys from distant suburbs.

Cities won't sprawl over valuable farmland, and marginal farmland won't sprawl over what should be national parks or wilderness. With agricultural land, there's a technical adjustment of LVT whereby the basis of assessment is on the maximum sustainable yield, strongly encouraging organic farming practices. In some circumstances, there's also a good case for the requirement of what's called an Ecology Security Deposit and/or restoration insurance from farmers.

Geonomics is firmly in agreement with those environmental groups which call for the elimination of subsidies in areas which are environmentally or socially harmful, unnecessary, or inequitable in such areas as:

- resource extraction
- non-sustainable energy production
- commerce and industry
- forestry and non-sustainable agriculture

Subsidies are, essentially, *negative* taxes – and in these instances (above) they are having the *opposite* effect to green taxes!

MONITOR THE PLANET, NOT THE PEOPLE!

Remember too that LVT eliminates the government surveillance over people, their activities and their assets. What LVT and other conventional eco-taxes *does* do is to monitor Our One Earth as any responsible form of stewardship should, ensuring our scarce natural resources are not polluted, wasted, undersold or privately misappropriated.

The bottom line of our present economic system is that not everything which counts (our Earth) can be counted (in \$ terms), and not everything that can be counted (“progress”), counts. Presently, it’s the market which determines the “worth” of, say, our water resources, our genetic integrity or the last remaining habitat of an endangered species. The only moderating factor to this is the blunt instrument of occasional government intervention, when public outcry forces it to save what’s left of our (and future generations’) Global Commons.

But there *is* a means of determining the worth of all of these intangible benefits – patches of the Global Commons which confer aesthetic, recreational, life-enhancing, spiritual, climate-preserving, biodiversity-saving benefits.

VALUING THE INVALUABLE

To summarise an intricate but elegant principle and process, the LVT assessment process used to determine the rent payable on residential, industrial and agricultural land can – and must – be adapted to relatively-untouched areas of the Global Commons facing commercial exploitation. The assessors attempt to factor in all these less tangible benefits of a natural resource into their valuation of its worth to the community and to posterity.

As always, these assessments are open for public scrutiny and comment. In the end, only if a prospective developer is prepared to pay the *full* cost of utilising this resource will such extraction or development go ahead, taking into account the proposed environmental restoration. So a beautiful patch of rainforest might well be lost, but only if its commercial value is extremely high (e.g. because it’s sitting on top of a huge lode of platinum).

But will local residents will lose out? Not really, because the loss of this local amenity will, of course, be taken into account in the next LVT assessment. And the huge resource rentals payable for this commercial extraction will go into their rightful place – the community coffers.

WHERE A GUESS IS BETTER THAN NONE AT ALL!

But how does anybody – professional assessor or not – possibly put a value on something so hard-to-value as water quality or biodiversity or recreational use? The answer is that the valuation can’t be an accounting-style series of clear calculations, but a series of value judgments that are, in the end, quantified. It’s a guess, but the best possible guess. And the best possible guess is better than a wild guess. And a wild guess is better than no

guess at all. And no guess at all is pretty much what we have at the moment, as the outcome of our present neoclassical system is that such natural benefits are often rated as next-to-worthless, and almost given away!

Chief Seattle of the Pacific Northwest indigenous tribe, the Dwamish, tried to resist peacefully the loss of their land to white settlers. In 1855 he is said to have written a letter (although various versions of this letter exist) to President Franklin Pierce saying, "How can you buy or sell the sky – the warmth of the land? The idea is strange to us.... Every part of this earth is sacred to us."

URBAN DECAY OR RENEWAL?

“The land question in the towns bears upon (over-crowding). It is all very well to produce ‘Housing of Working Class’ bills. They will never be effective until you tackle the taxation of land values.”

- David Lloyd George, (1863 – 1945), British Prime Minister (1917 – 1922)

Want another classic example of the madness of our current neoclassical economic system? Melbourne’s Dockland Project is such, in the sense that it took so long to happen. Look at what we had – a vast expanse of idle land and derelict buildings sitting right next to the central business district for decades. The Docklands area was a waste of enormously-valuable real estate because of our failure to collect the LVT, which would have otherwise financially obliged the owners to put the land to its full potential or to have passed on the land titles to those who would do so.

HOW TO ENCOURAGE SLUMS

But examples abound of needless urban decay – poorly maintained housing, fields in urban areas with nothing on them except thistles, outdated infrastructure, old and unused warehouses with rusted roofs and broken windows etc. Once again, we lack LVT to get things (and unemployed people) moving. And at present, even if you do put land to use, you’re going to be hit with taxes if you make an income or profit, even though you’re employing people and are of benefit to society by offering your goods and services. What we *should* be doing is taxing bads, not goods. Bads here is the array of wasted resources that leads to decay, and goods are the honest endeavours of people working in a free and a fair market. Or put it this way: tax waste, not work. Or pay for what you take, not what you make.

Some may object that we *do* have some sort of state land tax as well as the property taxes of local governments!” However, “property” is a woolly word which, in our current understanding, can mean land and/or capital – two very different things. Where property taxes are actually LVT (often termed site value rating at local government level) they are equitable and beneficial, but the problem is they are minuscule and misapplied in a number of ways. But where property taxes are (more commonly) a tax on land *and improvements* (such as buildings), the effect is entirely different. When the owner does, for example, build a house or renovate a derelict building, up will go his/her property taxes!

What society needs is a tax system which encourages land to be put to its optimum use, and for productive labour to be free of punitive taxation. Instead we have a system in which it is profitable for landowners to sit and wait for their land value to appreciate, while honest enterprise is treated as a cash cow by our tax system.

MONEY MOTIVATES!

Our conditioning has somehow led us to accept this economic and social madness. We might travel to work and glance at an empty block of land worth millions of dollars, yet not think twice about it. Once we arrive at work, however, our mind-set is – curiously –

very different. Hey! - the new printing press or forklift truck has arrived, worth a hundred thousand dollars! How long do you think management will let this valuable piece of machinery lie idle on the factory floor?

The same profit motive that compels someone to tear off the shrink-wrap at once and get their new equipment working can also be applied to the occupancy of land. To drive the point home so that your all-taxes-are-the-same programming is forever deleted, take an everyday example of a valuable block of land a person might occupy. The land's value has been built up by the community as a result of the surrounding amenities, so the occupier is rightly subject to a certain amount of LVT. Knowing the assessed LVT, the land will put people to work rather than weeds. Or, if the land is really valuable, it might have a modern, efficient multi-story building on it rather than an old single-story building or a car park.

“The burden of taxation should be so shifted as to put the weight upon the unearned rise in the value of land itself, rather than upon the improvements.”

- Theodore Roosevelt, (1858 – 1919), US president 1901 – 1909

LAND IS NOT CAPITAL!

“Invest in land – they ain’t makin’ any more.”

- *Will Rogers, (1879 – 1935), American humorist-philosopher*

This is the place to further examine the three economic factors of production. An understanding of these economic concepts will not only give a grounding in economic theory but will enable you to realise how completely the so-called science of economics has been hijacked and corrupted by neoclassical economics.

1. **LAND** We are putting aside, for the moment, the philosophical thoughts about owning land to instead look at how land behaves in purely economic terms. For economic purposes, land has a wider meaning than that which is usually assigned to it by lay persons. It can be defined as *the available natural resources and forces of nature*. Hence land here includes flora & fauna, rivers & oceans, air, the electromagnetic spectra and mineral wealth. But “ordinary” land – loosely regarded as the surface of the earth – has distinctive features, particularly urban land with its locational value (as opposed to rural land with a largely agricultural value).

2. **LABOUR**

3. **CAPITAL** This can be a confusing term. Capital is defined as the product of the application of labour to land, or else can be simply understood to be stored-up wealth or, in a sense, stored-up labour. Capital equipment refers to the *physical articles of material wealth which have been produced, not to be immediately consumed, but to be used to physically aid in the production of more material wealth*. This excludes pseudo-wealth: those things described as agreements or contractual securities and obligations.

THE NEOCLASSICAL DISAPPEARING TRICK

These 3 factors of production are commonly cited in chapter 1 of mainstream economic texts, although their definition of land is often vague. And then – hey, presto! – in chapter 2, land has somehow disappeared off the radar screen, and we have slipped into labour and capital as being the only factors of production. The merging of land into capital is the characteristic sleight of hand of neoclassical economics. We’ll return to this folly later in our critique of capitalism and socialism.

There are *three* major differences between land and capital. Again, we’re not talking about ethics, but about concrete, measurable economic features. If you ever want a litmus test to determine whether an economist really knows what he’s talking about, just ask him, “What are the differences in the economic behaviour of land and capital?” If he seems to be bamboozling you with esoteric jargon, then you can take it that the guy’s a fake, for the differences are clear and quite distinct, as you will here see.

AS SIMPLE AS 1 – 2 – 3!

1. *Land is limited in supply*. Capital is not. Reread Will Rogers’ quote above – they ain’t making land any more. Very important in economic terms, and there are few examples of other things that are limited in supply. Great works of art by dead painters is one illustration and, just as art collectors may bid up the price for a Monet or a van Gogh to

ridiculous extremes, so too may land prices skyrocket. Why did central Tokyo land in the late 1980's hit US\$4 billion per acre? Because those requiring it couldn't make their own. Such behaviour can never occur with capital, because capital can be created.

This unbreakable bargaining power of land-holders within our current economic system is one reason why Geonomists frequently attach the word "monopolist" to land-holders. To be pedantic but also strictly correct, we have said that land is "limited" rather than "fixed" in supply because of the effect of the possibility of land reclamation and multi-story buildings (not that those possibilities gave much relief in central Tokyo or elsewhere).

2. *There will always be an irreplaceable human demand for land* while the Law of Gravity exists, anyway. You're going to need at least enough land on which to stand, and a bit more if you can't sleep on your feet. Capital is different because if the seller of capital asks too high a price from me, then I'll settle for a different supplier, or a substitute or - failing these options - simply do without. But I can't do without land (until the dawn of The Age of the Jetsons). I think I can handle living without an original Monet or van Gogh in my lounge room.

Combine the limited supply of land with a never-ending human demand, and the monopolistic screws are turned tighter. Furthermore, take into account that the limited supply of land is being demanded by an ever-increasing number of planetary inhabitants, and you'll grasp why ordinary folk are being squeezed into devoting more and more working years to saving for their increasingly-expensive block of land. In fact, you now know more about the factors of production – *the very basics of economics* – than many of our esteemed professors of neoclassical economics!

3. *The value of land is built up by the community whereas the value of capital is created by its makers* Land generally appreciates over time whereas capital nearly always depreciates over its useful economic life.

The type of land we are examining here is the all-important (because so expensive and necessary) urban land, and the value that is appreciating is its locational (not agricultural) value. We say that the value of land is *not generally due to any effort of the owner* for two main reasons – population and infrastructure. The growing population will make the limited supply of land relatively more scarce and will bid up its price. Also, a growing population accessible to your site is generally desirable – more skills and services available, companionship, economies of scale etc. Infrastructure, by its very nature, provides all sorts of land-value-enhancing amenities, such as roads, schools, power, water, hospitals, libraries etc. To return to our point, in no way is the value of capital enhanced by others. That of land is.

THE MONOPOLISTIC HAND AROUND THE THROAT

Let's examine further why we insist these distinctions between land and capital are so important. Now the price of monopolised things is unrelated to their costs of production – that of land dramatically so, for land is not produced and its cost of production is zero.

Rather, the price extorted depends on what the buyer can afford to pay over and above the wherewithal to survive—hence, the origin of the term “rack-renting”. Non-corrupt governments everywhere intervene to prevent monopolistic practices, but why not do so with land, which is an essential need for all?

We’ve heard the philosophical justification for sharing the Earth equitably through LVT, but now you know the basic economic reasons. LVT takes the annually-assessed rental value of land, created by the community, and returns it to the community, thereby preventing extortionate monopolistic price-gouging. And remember: collecting the LVT enables us to slash and ultimately eliminate all taxes on labour and capital.

“It is quite true that land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies – it is a perpetual monopoly, and it is the mother of all other forms of monopoly.”

- *Winston Churchill, (1874 – 1965)*

WEALTH – AND ITS MISAPPROPRIATION

“Whenever, in any country, the proprietor ceases to be the improver, political economy has nothing to say in defense of landed property. When the “sacredness” of property is talked of, it should be remembered that any such sacredness does not belong in the same degree to landed property.”

- John Locke, (1632 – 1704), English philosopher

We’ve just seen how returns from land are, by nature, monopolistic and, by rights, should be returned to the community. But how do we calculate this amount?

WHO GETS THE COCONUTS?

It’s perhaps best illustrated by the Robinson Crusoe scenario, where he finds himself alone on a desert island. Rob naturally settles on the best available land which, for argument’s sake, can produce 20 coconuts per acre per month. Along comes Man Friday, who gets the second-best land producing 18 coconuts per acre. This best, freely-available land of Friday is called the *marginal land* and, as we’ll see, determines both the level of wages and that of rent.

For how much could Rob rent out his land – 2 coconuts or 20 coconuts per acre? Friday would only be prepared to pay 2, because he can already get 18 from his. So here’s our first definition, that of the Law of Rent: *The application of labour and capital equipment being equal, the rent of land is determined by the difference between the value of its produce and that of the least productive land in use.* So if Man Saturday comes along (the next day?!) and finds that the best available land can only produce 15 coconuts per acre, Rob could rent his land out to Saturday for 5 coconuts per acre, and Friday for 2.

What then determines the level of wages? When Friday came along and could work land yielding 18 coconuts per acre in a month, then he wouldn’t accept wages offered by Rob for less than 18 coconuts. But when Saturday arrived, suddenly Friday could only command 15 per month, because Rob knows that the going rate (that applicable to Saturday at the margin) is only 15. So here we have the Law of Wages, which is the corollary of the law of rent: *Wages are the reward that labour can obtain on marginal land, i.e. the most productive land available to it without paying rent.*

Of course it all gets more complicated by technology, trade unions, immigration, the existence of a pool of unemployed, personal preferences, levels of education etc., but these strong underlying laws always hold. But let’s now tie up the factors of production. Rent is the return to land, wages are the return to labour, and interest is the return to capital. The law of interest can be stated thus: *Interest is the return that the use of capital equipment can obtain on marginal land, i.e. the most productive land available to it without paying rent.*

PROGRESS AND POVERTY, SIDE BY SIDE

So here’s the alarming paradox of progress marching side by side with poverty. Those who have grabbed the best land get richer and richer (from increasing rent) while the

tenants and wage-earners get poorer and poorer for having to accept lower and lower wages as the margin is pushed out to less productive land). Henry George, in his classic *Progress and Poverty* drove home this point, but took about 600 pages to deal with all the complications and fine details not examined here. It's no wonder that the unmasking of this great paradox – the title of his book – hit the 19th century world like a great revelation. And it's no wonder that vested interests, through the neoclassical economics that they fostered, knew they had to shut him up. And, by successfully silencing him, it's no wonder that, despite all efforts, increasing and ever more alarming disparities of wealth are the norm world-wide.

But, anyway, how many coconut-basketsful of LVT should we collect? Chuck away all those calculators, guys, for the answer is simple: *Collect the rent, the whole rent, and nothing but the rent.* Assuming that everyone has to do the same amount of work to produce their differing yields of coconuts, when Friday came along then we'd collect 2 coconuts per acre from Rob. This would leave 18 coconuts in each of their hands, and 2 coconuts of rent or LVT collected. When Saturday arrived we'd collect 5 from Rob and 3 from Friday, which would leave 15 coconuts in everyone's hands and 8 coconuts of rent collected. Result: everybody effectively shares equally in the bounty of Our One Earth, and we have a natural, non-punitive form of revenue raising with which to fund infrastructure.

We've already seen how speculators can presently hold on to idle parcels of land, waiting for unearned increases in their value to accrue to them. But here's another curse of land speculation: by locking up productive land, it forces newcomers out to less productive land. By "pushing back the margin", the evil of speculation simultaneously raises rents and lowers wages. LVT makes it impossible for speculators to enjoy unearned income.

NOT JUST COCONUTS

Let's broaden our understanding of rent by looking at some current real-world examples. To tackle traffic congestion, governments often limit the number of taxis by issuing licences. Because transmission bandwidths are limited (and sometimes because of political influence), a limited number of TV operating licences is issued. To prevent overfishing, fishing licences are issued. History shows us that, because of relative scarcity or changing circumstances, such licences often become enormously valuable and are resold in the open market for huge sums. This excess is what is meant by economic rent, and plutocrats, big-time speculators and businesspeople dealing with such licences or privileges are called rent-seekers.

We can now see that the term "economic rent" encompasses a wide range of resources, and can be defined as *the excess over a competitive rate of return attributable to owning an asset or resource whose supply is limited, at least in the short run.* Note the underlined words, for they indicate sort of some monopoly privilege, as we have seen.

TOTALLY SELLING OUT

The problems above have exact parallels with the land problem. The monopolistic privileges have often been sold off once and for all to the highest cash bidder (or perhaps

given away or even stolen) instead of being auctioned and then regularly (annually?) assessed to determine the economic rent that belongs to the community.

A limited resource is usually a gift of Nature. The windfall profits arising from the granting of timber and mining rights are other instances of uncollected economic rent. Otherwise, economic rent mainly arises as the result of monopolies, duopolies, oligopolies and cartels. The solution is either to regularly assess and collect the economic rent, or to prevent natural monopolies (such as “public” utilities) from falling into private hands in the first place.

“The tax on land values is ...the taking by the community, for the use of the community, of that value which is the creation of the community”

- *Henry George, (1839–1897)*

TAX – A CREATOR AND A DESTROYER

“A citizen can hardly distinguish between a tax and a fine, except that a fine is generally lighter.”

- G.K. Chesterton, (1874 – 1936), English critic, novelist and poet

Human nature is a most curious thing. Australians are taxed in various ways for around half their average total earnings, yet few ever seriously study the nature of these taxes and their different effects. Perhaps they can be forgiven because of the way we tend to use one word, *tax*, for a wide range of clearly different things. (If I was a conspiracy theorist, I'd accuse neoclassical economics of deliberately confounding the language.) A tax may be:

- a simple revenue-raising device
- a user fee
- a fine or deterrent (perhaps with an element of political or social ideology)
- a means of redistributing wealth (a transfer payment)
- a resource rental
- or often a mix of the above.

And, just as the nature of taxes varies greatly, so too do their effects. We've already seen some of the impacts of taxes, but here we're going to expand our knowledge to drive home a point and counter the effect of a lifetime of steady conditioning.

There's a simple rule of thumb which will guide us here – taxes on land (in its wider sense of natural resources) are desirable and do not inhibit wages or production, and taxes on labour and capital punish both. Remember this catchy little slogan? – *pay for what you take, not what you make.*

WHERE'S ROBIN HOOD WHEN YOU NEED HIM?

The history of taxation reveals that taxation has increasingly been diverted from land to capital to today's mixture of capital and labour. Fascinating studies have shown that the prosperity of the average English labourer with a family of five actually peaked around 1495. This was the age of “Merrie England” when taxes were almost entirely on land, and land prices were low. But then the infamous enclosures of the commons accelerated, with land taxes increasingly being replaced by taxes on capital and labour. In 1495, the wages of the average English labourer were around 2.9 times the cost of living, but this relatively affluent state was rapidly turned around as taxes were shifted off land. By the mid 1600's wages were almost down to the breadline as common land had been almost entirely enclosed by the Crown and the “nobility”.

Other examples of the destructive power of taxation abound. In the Middle Ages, merchants and the emerging middle class were slugged. Duties were levied on traded goods everywhere, stifling trade and enterprise and giving rise to the inefficiencies of smuggling and organised crime. Wealth taxes in France were based on the number of windows in a person's house, resulting in houses being boarded up. The same taxes were

imposed in the Arab world on the number of palm trees that a person owned – you can guess the result.

A MEDIEVAL MENTALITY

Before we modern, educated citizens start chuckling too loudly at our forebears, we should look at our own tax system. What does the GST do to sales (and, by implication, production and employment)? How is a person's motivation to work affected by income taxes? What effect do payroll taxes have on the number of people on the payroll?

But the right taxes can have constructive results. The reason why some Geonomists advocate taxes on social undesirables such as tobacco and alcohol is because they are not really arbitrary taxes, but an attempt make people who choose to abuse their health pay for their future health costs.

TAXES AIN'T JUST TAXES!

Green taxes have long been supported by Geonomists. Full resource rentals imposed on such things as timber extraction or commercial fishing prevent undervaluation, wastage and overexploitation. "Polluter pays" pricing policies preserve the planet from plunderers (sorry). In fact, the whole range of carbon taxes are forms of LVT in the sense of being charges for use and abuse of air, water and other natural resources.

The electromagnetic spectrum also falls within the wide definition of land. To sell it off for good to the highest cash bidder is to set up an exploitative and economically inefficient monopoly. The spectrum belongs to the people who increase its value as much as they increase that of land. Government should act as its custodian, auctioning off for rent the various segments of the bandwidth. To prevent changing economic circumstances or technological developments from dropping big chunks of economic rent into the laps of bandwidth lessees, rents should be regularly and appropriately reviewed and raised. That Kerry Packer's broadcasting licences have appreciated by well over a billion dollars shows the foolishness of failing to distinguish, for tax purposes, between land and capital. And perhaps shows the political influence of a powerful rent-seeker.

"... the 15th century and the first quarter of the 16th were the golden age of the English labourer, if we are to interpret the wages which he earned by the cost of the necessities of life. At no time were wages ... so high, and at no time was food so cheap. Attempts were constantly made to reduce these wages by Acts of Parliament But these efforts were futile"

- *Professor Thorold Rogers, in "Six Centuries of Work and Wages"*

PRIVACY! LIBERTY!

“It is not enough that men should vote; it is not enough that they should be theoretically equal before the law. They must have liberty to avail themselves of the opportunities and means of life; they must stand on equal terms with reference to the bounty of nature.”

- Henry George, (1839 –1897)

We all-too-meekly accept being legally robbed of the fruits of labour and capital, because we have been stooled into believing that there is no other way to pay for responsible government expenditure. Having established that beachhead, our governments then steadily make further inroads into earned income as well as into other human rights. After having been dispossessed of our share of the Global Commons, it would seem pretty inconsequential to complain about taxation eroding privacy, but it’s worth looking into.

WADING THROUGH THE MIRE

But just how trifling is the fact that a mass of laws, too many and complex for anyone to fully get a handle on, forces us to account for much of our “personal” activities? Our private lives are open to scrutiny following all sorts of disclosure. “But we have to pay our taxes,” Peabody bleats as he obediently discloses every detail the tax system demands of his earnings, assets and investments. “We don’t need to understand all this tax legislation,” the dutiful drone on, “as we can simply employ accountants and sometimes tax lawyers to do it for us.” “It’s part of our duty as responsible citizens,” Elroy explains as he files away his complete audit trails of financial transactions & statements required for tax purposes.

And we have to obey the law, don’t we? The Tax Commissioner has powers of investigation in some circumstances greater than the police – in fact he *is* the law, with masses of legislation to support him and his sleuths. But as he’s unlikely to kick in our bedroom door in the middle of the night, his other low-key invasions of privacy don’t get much of a mention in the media.

And now GST dumps on us the onus and cost of *collecting* it. And the massive compliance costs of Business Activity Statements alone now display all-too-clearly the time and resources spent by taxpayers that would otherwise go into production.

BIG BENEFACTOR, NOT BIG BROTHER

While humans are being closely monitored, natural resources are not – the inverse of Geonomics. Only recently have we been getting some laws prohibiting or restricting certain types of pollution, but land and other natural resources are still being treated as mere commodities liable to being owned outright and treated as truly *private* private property. But natural resources don’t behave as ordinary commodities, because many of them are scarce and some are necessary for human existence. At least we can be thankful that sunlight is abundant and renewable, for if it *could* be limited then someone would try to bottle it up and make a fortune on it.

Geonomics does not intrude into people's lives. Unlike the current assessors of misguided property tax, LVT assessors would never need to inspect and assess buildings and improvements, and rarely if ever would they need to set foot on the land itself, hence assuring complete privacy for most people. But Geonomics would monitor the direct usage of natural resources in order to determine the full and fair LVT and resource rentals. Usage of this sort obviously should not be kept private.

"We would rather die on our feet than live on our knees."

- *Franklin D. Roosevelt, (1882 – 1945)*

THE FOLLY OF MOST THIRD WORLD AID

“Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary.”

- *Martin Luther King, (1929 – 1968), civil rights leader and Nobel Peace Prize laureate*

When you're confronted by those images of mournful young eyes which gaze pleadingly at you from an emaciated body, it's pretty hard to resist reaching for your wallet. Well, I hope that's made you sleep a lot more contently at night, but I'm afraid the grinding poverty of much of the Third World will grind on just the same.

THE GREAT PLANETARY CURSE

'Twas ever thus, within an economic system that, deliberately or not, supports the mother of all monopolies – land monopoly. Landlords get rich in their sleep because of what happens around, not on their land. The vice-like grip of land privileges crosses all national and cultural boundaries, and this writer has spent years tramping around places like Iran, Ethiopia, Bangladesh, Bolivia, Yemen and Uganda, and had this bitter fact confirmed everywhere.

Here is the type of thing I saw again and again. Landless peasants are living on the breadline, working for their relatively wealthy landlords. Some philanthropic organisation funds the building of a well, so that the women don't have to spend so many hours each day tramping to fetch it. Guess what happens to their rents when the well is completed? With amazing certainty, rents rise in proportion to the benefits of access to that well. It's the same deal with the provision of roads, schools, clinics, irrigation schemes, bridges etc. Net result: the living standards of the landless change little, but that of the landlords are considerably enriched. Someone wasn't kidding when he said, *“Third World aid is the giving by the poor people of rich countries to the rich people of poor countries.”*

THE FEEL-GOOD FACTOR

Of course, this is not to deny outright the goodwill and even the occasional good result of aid programs. Indisputably, emergency aid that puts food into starving hands will always be a blessing. Also, where there is a high percentage of land ownership, benefits obviously accrue to more people. But to which people? Some will undoubtedly benefit more than others, and some won't benefit at all. Furthermore, when you factor in the political corruption of many Third World governments, the benefits are more unevenly distributed.

THE ROOT, NOT THE FLOWER

Again, land monopoly and all its privileges would be destroyed by LVT. Whereas landlords had been able to sit back and leave much of their land to be idle or inefficiently used, LVT would force them either to put it to its optimum use or to effectively stand aside to allow others to do so. The boot would then be on the other foot, as vast amounts of land will be thrown onto the market and labourers would be offered a fair wage.

Nor would any landowner – small or large - benefit, in net terms, more than another when a domestic or foreign government finances local development . Land rendered more productive or desirable would pay proportionally more LVT. And, of course, that LVT would not end up in any private pocket but would be the natural source of that society's revenue, benefiting one and all. We'll take this up a theoretical notch in the very next module "Land Reform – Real and Illusory".

"There are a thousand hacking at the branches of evil, to one who is striking at the root."

- *Henry David Thoreau (1817 – 1862), American essayist and poet*

LAND REFORM – REAL AND ILLUSORY

“The teaching of Henry George will be the basis of our program of reform...The (land tax) as the only means of supporting the government is an infinitely just, reasonable and equitably distributed tax, and on it we will found our new system. The centuries of heavy and irregular taxation for the benefit of the Manchus have shown China the injustice of any other system of taxation.”

- *Dr. Sun Yat Sen (1866 – 1925), democrat, reformer and acknowledged “father of the Chinese republic”*

In the last module we’ve just seen how LVT would place the benefits of aid and development fairly and squarely in the hands of the people, not just the landowners. “But, hang on!” comes the objection, “There are other types of land reform besides LVT.” This, as the module title suggests, is our subject – how other types of land reform have never delivered and never will.

VIVA LA REVOLUCIÓN!

Certainly there have been endless attempts at land reform. “Viva la revolución!” has been the cry all through Latin America, for instance, but the lot of the average peasant has changed little, even with the best will in the world behind land reform.

Here’s the problem. So-called land reform has always been seen as land redistribution, based on the *same form* of outright land ownership. But there are three cogent reasons why land redistribution, as remarked above, does not work and never will.

Firstly, to redistribute land means to divide it up. But land is so vastly different as to make this task utterly impractical, what with wilderness, marginal agricultural land, good agricultural land, outer suburban land and prime real estate in the heart of the cities. Where’s Solomon to wisely divide it all up, with the added problem of buildings and improvements that some people have built and others haven’t? Would A have to get 100 square kilometres of desert to match B’s parcel of two square metres opposite the GPO?

Secondly, even if the *different* values were measured at a given moment, they would immediately begin to change, and would continue to do so. Even if everyone might start with a parcel of land equal in value to everyone else’s, those values would at once begin to shift. In the first year a dam is built here, a school is closed down there, and roads are built everywhere. Appreciation and depreciation would continue year after year, and in no time everyone’s “equal” parcels would have ceased to be such. A great way to operate a casino, but what sort of way to run a society?

Thirdly, even if you could wave a magic wand and somehow take into account the different and ever-changing values of land, what about new entrants like the newborn of the next and future generations? And what do immigrants get?

Besides the Big Three reasons above, there are two minor ones worth mentioning.

- After the land “reform,” would selling, speculating and profiteering go on as before, or would all have to stick to their allocated plots for the rest of their lives?
- It would require a really squeaky-clean government for the “casino” of changing land values not to turn into a den of political influence and corruption. Most likely, development would be skewed towards the land of the politically empowered. Or maybe the kleptocracy would get the tip-off to buy land where development is going to take place.

REAL REFORM, NOT REVOLUTION

None of the problems above would exist with LVT, the implementation of which would be far less revolutionary than that of historical land reforms. We need land reform here in *Australia*, of course – but in the Third World where poverty is so great, matters are urgent. What good has foreign aid done over all these years, when you look at the disparities of wealth in recipient countries? Why do governments even today (as in Zimbabwe) still go down the path of land reform whereby land is doled out to a handful of government supporters?

We all know the proverb: *Give a man a fish and he'll be fed for a day, but teach a man to fish and he'll feed himself for a lifetime.* One would assume that Western governments, the World Bank and the IMF also knew it, but they continue to hand out fish instead.

“The mere abolition of rent would not remove injustice, since it would confer a capricious advantage upon the occupiers of the best sites and the most fertile land. It is necessary that there should be rent, but it should be paid to the estate or to some body which performs public services; or, if the total rental were more than is required for such purposes, it might be paid into a common fund and divided equally among the population.”

- *Bertrand Russell (1872 – 1970), Welsh philosopher, mathematician and author*

CAPITALISM AND SOCIALISM

“Under capitalism man exploits man, under socialism the reverse is true.”

- *Polish proverb*

There are defenders of capitalism who attack Geonomics (Georgist economics) for being socialist. Similarly, socialists and communists criticise Geonomics for being capitalist – in fact, Marx called Henry George “capitalism’s last ditch”. Who is right?

“Capitalism” is a woolly word, meaning different things to different people. Geonomists wouldn’t criticise capitalism per se, but rather decry “land monopoly capitalism”.

WHEN TOO MUCH IS BARELY ENOUGH

Whatever is wrong with the acquisition of capital? Who would not want to afford a roof over one’s head, adequate food and clothing, some means of transportation, a decent education, and to go travelling and see the world? I’ve put this question innumerable times to self-declared opponents of capitalism – many of them very well read – and have never received any sort of adequate rebuttal. The response is usually along the lines of: *“Well, some capital like that is OK, but nobody should have too much capital”*. In the final analysis, “too much” capital means any amount more than the speaker’s!

The flaw here, as we see it, is that socialists do not make the vital distinction between earned and unearned wealth when they attack the owners of capital. Was this accumulated capital honestly earned in a free and a fair market? Was there no monopolistic privilege? Was there the creation of real wealth or was there merely the gaining of speculative profits?

NO WEALTH-ENVY FROM US!

As we see it, if someone is a rich “capitalist” who has accumulated a fortune, say, by being a great inventor, author, sportsperson or a plain hard worker who lives frugally, then “God bless him!” If they then want to live in a big house and drive a big car, then “Good luck to ‘em!” They’ve provided services that actually benefit society in a truly free and fair market, and they’d pay their way in the form of LVT. We need more such capitalists!

The other capitalists are a different kettle of fish. Reaping where you don’t sow is not in the Geonomic bible, and the full retention of the economic rent for the benefit of society would leave absolutely nothing for the cigar-chomping, would-be robber barons. But let’s not forget the subtle forms of speculation and unearned wealth as practiced even by well-meaning citizens by speculating in one form or another. Unfortunately, the “quick bucks” culture is not promoted only in investment circles. Even the nightly news promotes, and even glorifies, speculative profits without ever questioning where the wealth comes from.

SORRY, BUT IT’S A DUD

Socialism may well be inspired by noble ideals, but in terms of economic policy it has been an unmitigated failure. Not that it is necessarily undemocratic, but a command

economy requires a large bureaucracy with its attendant inefficiencies and corrupting centralisation of power. Rent-seeking speculators have little chance to do their stuff, true, but neither do ordinary people. There is no economic incentive to work harder or better and, in any case, the markets that might quickly adopt new products and processes don't exist.

Another blunder of socialism (and especially communism) is the failure to examine the source of property – the dictate that *all* property should be socialised fails to differentiate between what is earned and what is unearned. Again, Geonomics says that any confiscation of privately created wealth, whether by taxation or by private monopoly, is plain theft.

NO ROYALISTS, ARE WE!

In general, Geonomists support a *free* and *fair* market with governments mainly stepping in to prevent unacceptable environmental damage (which eco-taxes would largely prevent) and unfair trading practices (particularly the formation of monopolies and cartels). In this sense we could be called libertarians of a sort, but often apply the distinguishing (and pejorative!) label of *royalist* to conventional libertarians who effectively condone the privileges of land monopoly capitalism.

It should be pretty clear by now that Geonomics doesn't fit on the conventional left-right spectrum. It's the Third Way – and the only sustainable one at that.

“George's blend of radicalism and conservatism can puzzle one, until it is seen as a reconciliation of the two. The system is internally consistent, but defies conventional stereotypes.”

- *Professor Mason Gaffney, US academic (New Palgrave Dictionary of Economic Thought)*

HENRY GEORGE AND SOCIAL JUSTICE

“Solving the land question means the solving of all social questions... Possession of land by people who do not use it is immoral – just like the possession of slaves.”

- Leo Tolstoy, (1828 – 1910)

It was the power of the passion of George which led many of his supporters to believe he was somehow inspired and, in fact, George himself related an amazing inner experience he had when finishing his classic *Progress and Poverty*.

THE RELIGION OF SOCIAL JUSTICE

But you don't have to be at all religious to catch on to Geonomics, and we should stress that there's certainly no dogma in it, religious or economic. But, while we all inevitably delve into economic theory at one stage or another, what really puts fire into our bellies and keeps us going in the face of so many obstacles is the whole issue of social justice. It was this concern that fueled George's passionate mission more than anything else, and it rubs off on many of those who understand the fundamental economic principles he elucidated.

If you've read this far, you don't need to be told of the increasing disparities of wealth on this planet, both in developing and so-called developed nations. It's not the reality of social injustice that motivates most Georgists, but rather the conviction that it's all so *unnecessary!* Here's a very brief recap on why:

- Speculators can sit on large parcels of land and wait for the community to build up its value. Land Value Taxation (LVT) would prevent speculation, induce the land to be put to its best possible use, and instead divert the increased land value to the community coffers. Valuable natural resources, which often fall into private hands, would again become part of the common wealth.
- Current taxation is largely legalised robbery. But the rich, who often made their fortunes by misappropriating what should be the community's economic rent, have the means to set up tax shelters. LVT, in sharp contrast, is impossible to evade.
- At the moment, whoever is lucky (or powerful) enough to own land earns greater and greater rent while the base earnings are forced down as population growth pushes the point of marginal land out further and further.
- Our tax system rewards sloth and speculation while punishing industry, thrift, savings and honesty. Many public works, infrastructure and beautification projects are presently unaffordable because their value ends up in landowners' pockets rather than being recycled back to the community through LVT.
- Land monopoly is the “mother of all monopolies”. Those without land still need it, and have to work on the terms of those who have laid their hands on it first.
- Involuntary unemployment is totally unnecessary. There are so many productive things that need to be done by those who presently are prevented from doing them. Additionally, many wage earners have their bargaining power and earning potential reduced by the threat of unemployment.

- In the late 19th and early 20th century, a number of the most influential American plutocrats applied their considerable resources to stifle the work (and especially the ideas) of Henry George, and bankrolled the installation of neoclassical economics. In academic and professional circles today there's nothing much conspiratorial – only ignorance and an unwillingness to admit that their “dismal science” has consistently failed to deliver any viable alternative. George's economic analysis has never been seriously or scientifically challenged, let alone undermined – and still holds as true today as it did one hundred years ago.
- The principles of our social justice proposals are radical and yet elegant: You don't get taxed on what you earn. What you rightly owe to society is based on what society does for you – in other words, on the physical and social infrastructure available to you. Nothing more, nothing less.
- In the Third World, where land ownership is often concentrated in the hands of a few families, things are worse. Vast tracts of land remain unused because, without the pressure of LVT forcing site holders to turn their sites to productive use in order to cover the cost of the LVT, the landowning families can afford to wait until the desperately poor work on the terms dictated to them.
- We'll have our birthrights restored! Geonomics effectively makes us co-owners of all the Global Commons. And land will be effectively free of a purchase price, as land price currently is the “capitalisation” of annual land values into private pockets. The great burden facing all entrants to this planet – having to save huge amounts to pay for what should be our inheritance – will no longer exist!

As the reader may have concluded, it is not possible to stick purely to social justice issues, keeping the economics out of it. The two issues are inextricably linked, so that understanding the *solution* to social injustice necessarily entails some more-than-basic knowledge of economics.

THE REAL THING'S A TURN-ON!

But economics, to many people, seems so dry, money-minded and mathematical as to be a real turn-off. Yet these same people will often rail against injustice. Maybe it's because the problem is obvious but the solution is hard to figure out. It is the same with a number of environmental activists – they won't hesitate to stand in front of a bulldozer, but much less often will they attempt to understand the underlying economics that has led to the pillaging of the Global Commons in the first place.

It's rather analogous to the tale of the guy who, blind drunk at night, is looking for his keys under a lamp post. A passer-by asks, “Are you sure you lost them here?” The drunk slurs a reply, “No – I lost them in the alley over the road, but there's no light there.” The drunk is the environmental activist (or an ordinary citizen angered by injustice), his keys are the solution, the area under the street light is the easy-but-ineffectual answer (like hugging a tree or raising taxes on the rich), but the keys really lie in the difficult area of economics.

“Our primary social adjustment is a denial of justice. In allowing one man to own the land on which and from which other men must live, we have made his bondsmen in a

degree which increases as material progress goes on. It is this that turns the blessings of material progress into a curse."

- *Henry George, (1839–1897)*

TAKING IT FROM HERE.....

“The fields and the whole soil ... should be public property, that is the property of him who holds the right of the commonwealth: and let him let them at a yearly rent to the citizens, whether townsmen or countrymen, and with this exception let them all be free or exempt from every kind of taxation in time of peace.”

- *Baruch Spinoza, (1632 – 1677), Dutch philosopher*

Economics can, after all, be free of jargon and technicalities. The latter often cover up (or display) the ignorance of those who use such stuff, from fools and frauds to conventional economists. Even in the Advanced Kit, where we deal with more technical areas, we will continue to use clear, plain English. The contents of this kit are:

- History: the Rise and Fall of Feudalism
- History: the New Slavery
- History: Henry George and the Land Value Tax
- War – Who’s the *Real* Villain!
- Tax Evasion
- Why LVT Cannot Be Passed on to the Tenant
- When the Law is Actually Respected
- Banking and Interest
- Banks and the Money Supply
- Currency Speculation and the Tobin Tax
- Boom & Bust Cycles
- Who Will Own the Land?
- Indigenous Land Rights
- Lies, Damned Lies and
- Local and Global Geonomics
- Free Trade or Protection?
- Unemployment – the Pieces of the Puzzle

We are not only more than happy to help you with your understanding, but also we are not after your money! We can afford to give the kit to those genuinely interested in a far better world, but we’re desperate for grass roots support, though – the need is great, but apathy seems to rule and our numbers are still few.

- 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
 - * The tax reform site at 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.

If you are keen to journey on, here are some further steps. If you haven’t already done so, you can order complimentary copies of the next 3 issues of our bimonthly magazine *Progress*. Contact our office at 27 Hardware St., Melbourne [(03) 9670 2754], or [prosper@vicnet.net.au]. Also, you’re always welcome at our premises. They sport a range of comfy facilities less than a block from the GPO - hours are Monday to Friday from 10.00 a.m. to mid-afternoon (it’s best to first ring the office to ensure it will be open).

For those with Internet access, we recommend a bit of surfing around the two websites set up by Melbourne Geonomists:

- * The EarthSharing site at www.earthsharing.org.au
- * The tax reform site at 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:

- *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

“Henry George is one of the great names among the world’s social philosophers. It would require less than the fingers of the two hands to enumerate those who, from Plato down, rank with him.... No man, no graduate of a higher educational institution, has a right to regard himself as educated in social thought unless he has some firsthand acquaintance with the theoretical contribution of this great American thinker.”

- *John Dewey (1859 – 1952), American philosopher and educator*

Borruso

Comment [1]: Unclear.