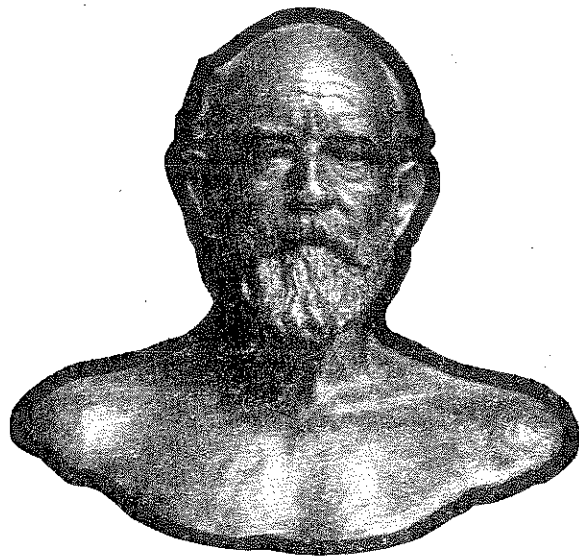


Australasian

GEORGIST QUARTERLY



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THE GEORGIST QUARTERLY

September, 1982.
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A forum for discussion of Georgist policy
and theory.

Editor: Richard Giles.

OUR OBJECT:

"We would simply take for the community what
belongs to the community - the value that
attaches to land by the growth of the
community, leave sacredly to the individual
all that belongs to the individual".

Henry George (1839-1897)

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Please confine articles to a maximum of
400-600 words. Typed manuscript with
headings is preferred if possible. (Ed.).

Association for Good Government,
143 Lawson St., Redfern, 2016.

WAS 'BANJO' PATERSON A GEORGIST?

Australia for the Australians, the lone political pamphlet written by our national poet, and subtitled "The Need for Land Reform and Protection", was written in 1889 when the poet was twenty-four. It is an essay based upon Progress & Poverty.

One can easily see what drew Andrew Barton Paterson to read and to agree with the basic tenet of Henry George. It is the 'locking up' of the land. He discerns the problem quite clearly: large estates which cannot be bought or leased surround towns; while better land lies idle selectors live hard, hopeless lives in the wilderness; people crowd into cities such as Sydney and compete fiercely for employment. "Any bushman can tell hundreds of cases where rich land is locked up in the big freehold runs, carrying sheep, while miserable selectors are trying to get a living on stony ridges" (p.25).

For this, he says, one must blame the way we hold land. By "a grave mistake" we have allowed some to hold the land in "fee simple". This has meant that land can be held without any payment for community-given advantages, that vast stretches of good farmland - in the Hunter River, Illawarra and along coastal rivers - can be left idle while uneconomic use is made of more remote and infertile soil; and that, increasingly, the tenant is at the mercy of the landlord.

It is Henry George, he says, who has pointed out this evil; although (and Paterson takes some delight in this) others have seen it before him.

THE REMEDY

So far Paterson has applied George to the land problem in Australia but now he begins to diverge. The confiscation of rent, he says, is too sudden and drastic a measure for society. And the present generation has invested too much in land to lose what they have put into it without great opposition. As well, to appropriate rent would be to undermine credit, which is in the main founded on the security of land. Georgism would work out for posterity but not for the present generation. The answer is not to touch accrued land values but only to take any future rises in land values. To take this "unearned increment" would do the trick of opening up cheap land and giving employment.

PROTECTION

Land reform, he says, is not incompatible with Protection. The central argument of Free Trade is wrong. When workers become unemployed by progress in one branch of industry they cannot find employment elsewhere. This is true notwithstanding what Adam Smith, Bastiat, and Henry George have said. Henry George in Free Trade and Protection (sic) quite wrongly says that wherever wages are highest, production is cheapest. Buying elsewhere because it is more economic to do so simply means unemployment. Tariffs are the only alternative to cheap labour as a start for industry. Free trade will confine us to woolgrowing and farming. "We can see pretty clearly the reason why these men are unemployed: the bad land tenure system is the reason for it. But even when tenures are put right, I think protection is the correct

policy" (p.30). Manufactures "will only grow by protection"; without it we face the alternatives of unemployment or the driving down of wages in N.S.W. Perhaps if all the world were one country with one set of laws "it would be a different matter" (p.30).

COMMENT

One can see in Australia for the Australians one man's application of Progress and Poverty. There are some blind spots. Paterson tends to see only country life as productive; city land values, one senses, are simply due to land speculation. The projected north shore bridge (the later Sydney Harbour Bridge) is a waste of money that could be going to the country. Paterson also does not see that Henry George in Protection or Free Trade ? points out that, without land reform, free trade can but increase production temporarily - as it had done in Britain. Paterson moreover does not say why protection will still be necessary after land reform. Having agreed with George that the natural order is propitious to man (in the opening section) what evil is there left after land reform to make protection necessary? Finally would merely taking the "unearned increment" unlock the land? and has he a valid point that credit would collapse with a sudden appropriation of rent?

R. GILES.

* * * *

WEALTH THROUGH SERVICE

Man may work, labour, exert effort physically or mentally and be skilful in his every endeavour but in the direction of making a living in co-operation with his fellow man, these powers merge into one thing that economic man does. Economising in exertion and maximising in skill economic man gives service, a term which embraces all man's powers qualifying them as being efficient and directed to others.

Service defines the good in human endeavour each towards his fellows; implying the nobler nature in man wherein an exchange economy it is one of mutual service.

To the economist it should be a clear concept that wealth is service embodied in material form and that all physical material in which service may be embodied is free to men collectively. He should always be aware of the skill, planning, exertion and discomfort which may have been necessary in giving the service and which generally may be defined as exertion but it must be related to wealth through service. This is an important step allowing concept to be built upon concept.

The market cannot exchange the power of economic man in giving service except that it notes the result of service in the unifying medium of value which is measured in price. Every exchange in a competitive market tends to equate the result of equal service for service being equal value for value. The market takes no account of the mass or form of matter which in nature is free and cannot be priced except in the pathological sense by taxation. Price is the measure of value and, in doing so, establishes it.

3.

Price is the relationship of the result of service each to all others so that a physical product, in which service is embodied, is related by this to all other such products. The result of service not embodied in physical matter is also related in price. Value thus arises as a means of exchange to preserve the equation of equal value in exchange. Thus in the priced relationship in the measure of value where two of something exchanges for one of something else the value relationship is established that one is twice the value of the other.

The essential nature of value is the balance of equal measure relating through competition, to the effort expended in the service on each side of the trade. It does not relate to exertion avoided but to exertion equated.

Value exists only within and for exchange. It is exchange or potential exchange which gives rise to it. It relates to service the result of which has a use value which prompts exchange. Something which has no use value in satisfying some human desire is not wanted and has no exchange value. That which has use value to another or others is exchangeable and thus has exchange value. A value cannot be established or equated unless there is another with whom to trade. Such equation in the establishment of value relates to all other value as the means of exchanging commodities of diverse natures, the form of which is of no concern to the economist whose study is that of value and its entitlement.

V. J. RALPH.

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A SITE-RENTAL MANIFESTO
FOR INDIVIDUAL YET COMMUNAL LIBERTY

"COMMUNISM"

The political successes achieved through the COMMUNIST MANIFESTO clearly results from the heart-throb appeal of the concept that individual citizens have a shared responsibility for the well being of all.

That wholesome concept of a common responsibility meshes with the very best in mankind's makeup and the most ardent opponent of Russian type 'communisms' bases his opposition upon that very responsibility. It is little wonder that Marxism flourishes.

With hindsight, it is fairly clear that Henry George, later on the scene, failed to recognise the emotive power of the tag that Marx supplied. In his magnificently logical "Progress and Poverty" George certainly used emotive language - none could do it better than in his eulogy there to Liberty.

However, perhaps because there is nothing with the necessary breadth, George did not develop any pithy phrase that correctly would encapsulate the concept of conjoined well-being through individual freedom. Marx's phrase - communism - had pre-empted the ground - and still does so, even though it is Liberty that will win in the end.

4.

Karl Marx, with his Communist Manifesto, called for a transfer of the landed-monopoly-capitalistic power into the hands of a "Peoples Government" that he thought would institute Liberty. He was too trusting. Just as no individual - not even a Solomon, as history proves - can be trusted with such power, to entrust it to even a well-intentioned government proves disastrous.

Henry George, more wisely, saw that the necessity is not to transfer that monopoly power but to destroy it. But he was left without the properly emotive tag so necessary for real success - because Marx had pre-empted it and had applied its strength to a lesser purpose.

Thus we who follow Henry George can recover the ground only by developing a banner with a greater attractiveness - one that, while demonstrating a reform utterly destructive of landed-monopoly power, will with clarity show the futility of anything lesser.

A MANIFESTO
FOR INDIVIDUAL YET COMMUNAL LIBERTY

A complete fiscal, electoral and monetary reform is necessary if unemployment, business depression, low earnings levels, inflation, needless governmental controls and waste, monopoly control of land - whether city, suburban or rural and whether by the government or by individuals - is ever to be remedied.

To that end, the necessary actions are:-

1. The municipalities to levy, against each piece of land, its full annual Site Rent; this to be what occupiers would be prepared to proffer on a lease renewable annually in perpetuity at the occupier's option and assuming that all improvements upon the site were non-existent.
2. To ensure accuracy, acceptability and non-avoidance, these Site Rents to be shown on subdivisional maps held on public display in the municipal offices.
3. Every month, each municipal treasurer to remit to all other levels of government, his municipality's proportion of those governments' spendings; the proportionality to be that of his municipality's total Site Rents to the total for all the severally responsible municipalities.
4. There to be no taxation or other form of public revenue whatsoever.
5. To ensure effective representation and responsibility throughout, there to be one election each year for a third of the membership of a series of electoral colleges; these to be formed by amalgamation of municipal districts so as to give reasonably similar voting strengths.
6. Voting to be by preferential ballot, but the counting to be the quota-preferential system for multi-member electorates - the Hare/Clark system.
7. The Electoral Colleges, from their own numbers and by Hare/Clark, then to select the persons who that year would go to the various parliamentary and council groups.
8. There to be no other elections; casual vacancies to be filled by a re-examining of the ballot papers from the most recent voting.

5.

9. Governments to spend only what they receive from the municipalities, thus ensuring no borrowings, no deficits, no International Monetary Fund financings and, thus, a stable currency.

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The proposals in this Reform Manifesto are largely self explanatory. They clearly would be workable - and would be seen as such by the electorate. They properly allow for the accumulation of capital in its real sense which is that of the accumulated product of individual and group exertion. They automatically provide against the growth of monopoly exploitation. They safeguard individual freedom in the satisfying of our separate desires and our community responsibilities.

W. H. PITT.

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F O R U M(i) ECONOMIC RENT IS RECEIVED NOT PAID.

Mr. Giles says that Mr. Gilchrist "has proved that it is impossible to sit down with the law of rent in one hand and a calculator in the other and determine what the rent of a site is". For one thing it would be a fruitless exercise and for another thing it would be unnecessary. As land value arises from the private appropriation of rent the best indicator is the existence of land value. If the economic rent were taxed land value would begin to disappear and when it wholly disappeared one would know that the whole of the rent was safely in the Treasury. It can be done without curves or calculators. There is no need to determine the rent of a site as long as the value has been destroyed.

When Mr. Giles uses the expression "What the landowner takes in rent", I suspect he means, "What the landlord takes in rent" and if so, he is confusing "Rent", in its economic sense, with "Rent" as a price paid by a producer to the landlord for the use of a piece of land.

Producers receive rent as a part of the distribution of wealth. Landlords take or collect rent as a price for the use of land and that price can include an amount equal not only to the economic rent received by the producer but part of the producer's wages.

If it could only be understood that economic rent is received and not paid, the confusion on this subject would also disappear.

LIONEL BOORMAN.

(ii) "THE SAME APPLICATION"

"The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use".

It has been said that because labour is concentrated upon the better sites there is no "same application" of labour between the better and the marginal site.

This is not so, particularly in the case of agriculture. A farmer can plant the same crop in two different paddocks, one marginal and the other supra-marginal using the same method, the same time and the same machine. The excess on the superior site will be rent.

The same reasoning applies to the grazing of sheep and cattle or to an opal field where a day's labour with pick and shovel will result in a greater return on one site as compared with another.

LIONEL BOORMAN.

(iii) RICARDO AND MARX VERSUS HENRY GEORGE

Vern Ralph (Mar. 82) is correctly critical of Ricardo - but perhaps misses the Georgist explanation which most beautifully equates Site Rent with the economy of effort that George regarded as the distinguishing mark of mankind.

Looking upon it in terms of economy of effort one automatically sees the viewpoint of the individual and is led directly into the whole concept of the market.

"Poor" land or good, near or distant location, primary or secondary production, all deserve an application of labour proportionate to the site rental that the operator must outlay. Otherwise, the inherent economy of effort cannot be brought out.

Let us in no wise follow Karl Marx who, with his "surplus value", led his followers into an economic cul-de-sac. Henry George kept economy of effort as the torch to light his way - and was fully correct in so doing. To be correct ourselves, we too must do so.

W. H. PITT.

(iv) NO RENT ON HOME SITES.

It is amusing to have Fred Auld speculating on the origin of what he describes as 'the no rent in homesites dictum'. It certainly was in the 'too hard basket' before those of us in N.S.W. who got down to serious thinking concluded that LVT was, as Dr. Pearce put it years ago, a 'shingle tax' as far as homes were concerned. Then, taking a hard look at George's 'THE SCIENCE OF POLITICAL ECONOMY' after realising his ambivalence in PROGRESS AND POVERTY over the terms RENT and LAND VALUE, we saw that the key to the problem was in his adoption of the 'Surplus Product' from the Physiocrats. It was as simple as that.

Unfortunately, there are still too many die-hard fundamentalists in the Georgist Movement stubbornly refusing to look the truth in the face and get out of the LVT groove.

E. P. MIDDLETON.

(v) ECONOMIC RENT OF MINES.

One of the 18 other answers F. J. Auld (G.Q., June 1982) seeks about economic rent of mines observed that both land occupancy and extraction of non-renewable resources were involved.

Assuming that the bulk removed is replaced and the surface made good when mining ceases, it said that the economic rent would be the same as if the surface area was utilised for any other purpose.

7.

On the other hand it was suggested that the minerals extracted had nothing to do with rent but had a market value which should be recouped by the community, less reasonable costs to cover extraction, including interest on capital. Costs would probably best be determined by open tenders, up to the limit of mineral quantity the community required extracted at any time.

Any resemblance of the above to current practices would surely be co-incidental.

BILL MASON.

* * * *

LETTERS RAISING NEW ISSUES

(i) WHAT DOES GEORGISM DO FOR THE WORKER?

Here's one problem I'd like some opinions on as I find it a particular stumbling block in my discussions with others about Georgism.

The transition from the present to a Georgist society is always something which tends to bother others more than it bothers us: we have our eyes fixed further ahead, whereas they are concerned with the immediate future - both as it affects them and, also because it is something they can relate to more readily than the total Georgist vision ... which is what they may, someday, come to share. And this is the problem with which I'm often confronted: how will the day-to-day existence of the mass of the people be changed (the manner and form of the change, I mean, not whether there will be a change) in a Georgist society? On the positive side I see a trend toward co-operation: instead of private capitalist entrepreneurs and corporation being the main organizers of production, co-operatives of workers (and would-be workers) would combine - and more would do so over time - to organize production. But whether they could organize steel mills, aluminium smelters and oil refineries, I don't know ... the State, perhaps? But the main question concerns the individual workers who now comprise the bulk of our work force: those men and women who work in factories and shops, offices and warehouses across the country. We can't really say that access to land would help them all directly and immediately; and we know that. Our argument has been that a large enough proportion would grasp the opportunity to use the land for agriculture to reduce the supply of workers and so raise the wages and improve the conditions of those who remained. (A few - very few - would be able to start up other businesses, but not enough to have an impact on the conditions of those who remained). At the time of the transition to Georgism that must be our case, must it not? We cannot also anticipate or even postulate a similar swing into small-scale entrepreneurship - into self-employment - because (a) wages will, we maintain, have risen and, thus, self-employment will lack its previous appeal both because (i) the would-be entrepreneur will be earning more and (ii) her/his potential employees will have to be paid more. And (b) the cost of setting up a business will still be high in terms of (i) the capital requirements: buildings, machinery, tools, stationery, stock, raw materials etc. and (ii) the organizational and administrative skills will not suddenly appear; and this will, we must expect, become clear as large numbers of those who do start out fail in their enterprises for various reasons - as

they do to-day. It is possible to suggest technical solutions to these problems: State-run training courses, small business loans, small business advice etc. But that defeats our real purpose, ~~does it not?~~

Now this is not only a problem of transition; I see it as lasting for longer: for one and a half or two generations at least. I'd be most interested to hear the views of other Georgists on this problem.

KEITH THOMAS.

(ii) "WHAT WOULD HAPPEN IF..."

Mr. Auld raises the interesting thought that true economic rent reduces the net productive value of all sites to the same level, which would leave no incentive to use more productive sites first, or would it?

He also raises the previously ignored question of existing mortgages on land values, when the single tax appropriates that value. I would like to see some answers to this.

I would also like to know the unimproved value of all Australian land - our proposed revenue base seems important to me - if someone can provide it.

Finally, I don't know why it should seem necessary to theorise about the rental value of land. Nobody theorises about the value of bread or how much tax can be extracted from society by this method or that. Why land? Surely it is what the traffic will bear, like anything else?

I also think "Good Government" might be the better vehicle for discussion of important issues provided we can exorcise this rent theory first - it would drive people away from us, having nothing to do with the practicabilities of land tax replacing the "people-devaluing" taxes of the present.

BILL MASON.

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NEXT ISSUE:

'The Gospel' of George - Dr. Ken Grigg.

