SITE REVENUE SOCIETY (QUEENSLAND) INC.

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SITE REVENUE: KEY TO ECONOMIC SANITY

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1. Overview:

Amongst all the argument & confusion on Earth, there can be heard a still small voice defining a coherent solution to all its economic, political & social ills and substantially the environmental ones too. This solution is the **foundation bedrock for sustainable civilization**. At one blow this solution eliminates the basic distorting abuse, the mother of all abuses. This abuse is ***site monopoly*** -- privatization of land sites, global commons & natural resources by the strong, the aggressive, the rich, and to those who pay inadequately for the privilege. If implemented, this solution renders unnecessary all wars, poverty and that complex web of government interventions designed to tinker with distortions. This solution is a silver bullet, a "**sovereign remedy**" which is ***breathtaking in its elegance*** but, when closely studied, is highly complex & multi-faceted in its detail & effects. It is not simplistic just because it is elegant. Only through the prism of this solution can human economies & history be understood consistently. Truth is always simple: where there is complexity, look for error! The reason that this solution is ignored, even deliberately suffocated, by most academics & politicians, is that they have surrendered integrity & intellect and even their immortal spirits to material greed, careerism & vested interests. Thus, you will never see a reply to this analysis, which may err in some detail but basically is irrefutable. Whilst many minds may read these words, few hearts will respond: they will remember later.

The solution is **Site Revenue ["SR"]** [1]. ***SR is the collection by the community of the annual rental value of all sites privately occupied, as the sole source of public finance.*** The amount of SR collected will vary from site to site, depending on its location & productivity. The resulting fund must replace all taxation (direct & indirect), ending all imposts & excises upon personal existence (poll taxes), death, employment, earnings, goods, services, turnover, imports, exports, documents, transactions and similarly-irrational targets like window sizes & chimneys (as in mediaeval Europe) or beards (as in Russia under Peter the Great in 1698). SR roundly condemns all taxes: it collects instead as public revenue the value with which the community itself has endowed sites. The SR collected is therefore, more properly, payment for a service. SR is sometimes termed "Land Value Taxation" but this is a double misnomer, as it is not a tax and it applies to all sites[2], not land alone.

SR is not merely a fiscal device, although this is its method of executive application. Rather, it reflects & honours a fundamental principle: that humanity did not make the Earth, so it is not theirs to privatize. *"The earth, therefore and all things therein are the general property of all mankind, exclusive of all other beings, from the immediate gift of the Creator."*[3] Unless this primary principle is honoured, unless humanity establishes as a norm (or "meme") the correct spiritual, legal & economic relationship with the land & its resources, both the planet and its civilization will be blighted to various degrees. Unless the foundation is right, the edifice must be wrong. So beneficial is the effect of collecting SR that it would be better to collect it and throw the money in the sea than not to collect it at all.

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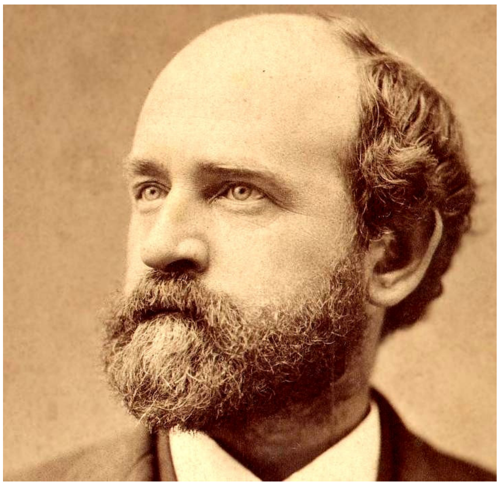
1 First propounded in detail by Henry George in *Progress and Poverty* (1879); *Social Problems* (1884); *The Condition of Labour* and *Protection or Free Trade* (1886) and *A Perplexed Philosopher* (1892).

2 See section 2

3 Blackstone (1765), Commentaries, II, Chap. I, page 3.

SR has been endorsed by great thinkers over the ages[4]. Most extensive and articulate among them was the American political economist Henry George in the 1880's.



Henry George
1839 -1897

"Men did not make the earth ... It is the value of the improvement only, and not the earth itself, that is individual property ... Every proprietor owes to the community a ground rent for the land which he holds"[5]

The earth, therefore, and all things therein, are the general property of all mankind, exclusive of other beings, from the immediate gift of the Creator[6].

When the 'sacredness of property' is talked about it should always be remembered that any such sacredness does not belong in the same degree to landed property. No man made the land. It is the general inheritance of the whole species .... They [landlords] grow richer, as it were in their sleep, without working, risking, or economizing[7].

... if a tax were imposed equal to the annual use value of real property ex its improvements, so that it would now have no net earnings and hence no capital value of its own - progress would be orderly and its fruits would be equitably shared[8].

Both ground rents, and the ordinary rent of land, are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own ... [these are] a species of revenue which can best bear to have a peculiar tax imposed upon them[9].

"It is quite true that the land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies — is a perpetual monopoly, and it is the mother of all other forms of monopoly. It is quite true that unearned increments in land are not the only form of unearned or undeserved profit which individuals are able to secure; but it is the principal form of unearned increment which is derived from processes which are not merely not beneficial, but which are positively detrimental to the general public. Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position — land, I say, differs from all other forms of property in these primary and fundamental conditions[10]"

2. "Sites"

Sites are areas of land, or volumes of water or airspace, defined by cadastral surveys in metes & bounds, wavelength frequencies or quantities of natural resources. Sites may exist upon or under land or sea, in the air or atmosphere, in wavelengths or in satellite orbits. Sites have a wide variety of uses, such as homes, shops, factories, mines, moorings, radio & TV frequencies and the orbits or geo-stationary footprints of satellites. Sites include the right to extract natural resources, both renewable (e.g. fish & timber) and non-renewable (e.g. minerals & oil), and to pollute land water or atmosphere (e.g. by emission of exhaust gasses).

Access to sites is essential to human life & economic functioning. Sites (especially land, including raw resources), are essential for application of labour to produce wealth, such as food, raw commodities, refined ores, chattels or machinery. In this task, labour is assisted by capital, which is a subset or type of wealth (such as a tool or machine) that is used to produce more wealth, rather than for consumption. Land, labour and capital are the three (and the only three) factors in creation of wealth.

Yet humanity did not make any sites: they were given by Creation (or by God, for those who accept a personal Creator). Sites have a different status to labour or capital, as these latter are man-made, not given. It is a fundamental error to treat sites as capital or to permit their private ownership as if they were chattels: doing so privatizes & steals a public good and effectively enslaves the landless labourer. Site values are a public asset but, when they are allowed to be privatized and their value (or the bulk of it) pocketed as an unearned windfall, holders of valuable sites 'grow richer in their sleep' to the detriment of the commonwealth. It takes less than 30 minutes for each of Australia's leading mining billionaires personally to earn the average annual salary of $70,000[11].

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4 E.G. Rousseau, Spinoza, Voltaire, Leo Tolstoy, the French Physiocrats, Herbert Spencer, Tom Paine, Thomas Jefferson, Cobden, Carlyle, J,S. Mill, Winston Churchill, Albert Einstein & Sun Yat-Sen.
5 Tom Paine (1737-1809), essay "Agrarian Justice", 1797.
6 William Blackstone, *Commentaries on the Laws of England*, 1766
7 J.S. Mill, *Principles of Political Economy*, 1848
8 John Kenneth Galbraith *The Affluent Society* (1958), p.44
9 Adam Smith *An Inquiry Into the Nature and Causes of the Wealth of Nations* p.584
10 Winston Churchill, "The People's Land," 1909
11 http://fairgoforbillionaires.com.au/fairgo/?p=41

The "**economic rent**" of a site is the surplus which its use generates compared to a marginal site at the edge of civilization (which has slight value but no price and attracts no bids from tenants) with same application of labour. That surplus is due to the greater fertility, mineralization or location of the superior site and is in no way due to the owner. It properly belongs to the community. SR equates to the "economic rent". Those who hold sites without paying SR are enabled to charge others an unearned premium for access to locations & resources essential for livelihood. In this way they can exploit workers and subvert the products of labour, which properly belong to the labourer. Whenever military force, governments or an apathetic public (too busy & tired to think) allows the free or cheap occupation of sites by those who come first, or have the most wealth or power, then manipulation & profiteering ensue and a free market is impossible. At present site-holders are demanding & receiving, but not paying (or fully paying), for a service, to wit the community upholding their exclusive dominion over a portion of the commons which is enriched by creation or the entire community. All such demands capitalize into land price, which in reality is direct theft from the community (or the Creator, if you see it that way). This theft allows site-holders to capture & pocket a rental value (reflected in site-price) which they did not create. It should be mentioned also that economic rent exists in areas other than site monopoly, such as in taxi plate monopoly where 70% of the artificially-limited licenses (originally issued without charge) are now leased to operators at $30,000 p.a.

This does not mean that individuals should be forbidden privacy & security in sites. On the contrary. Common sense and the collapse of communism indicate that citizens' exclusive use, as distinct from State ownership, over specific sites is essential for stability, devoted effort & investment. A democratic spirit and avoidance of elitism & tyranny require all to have equal access to sites. However, in a modern, complex society, *physical* division & redistribution of sites to secure equal rights is impossible and would soon revert to imbalance. Nevertheless, such rights can be achieved *economically* by requiring holders of sites periodically to compensate the rest of the community for the rights of exclusive use ["**monopoly**"] granted to them over sites of varying value. If this is done, no site-holder possesses land unequally to others. Whenever a community grants to individuals exclusive use over specific sites, provided there is competition them rather than ample land free for the taking, then that community must collect the SR of those sites. In default, economic confusion, social disruption and environmental degradation inevitably ensue. Such exclusive use may be indefinite (freehold), or for a specific term of years (leasehold), or even measured by the hour (parking meters). The exclusivity may be held by an individual or jointly with others.

Licenses and Commons: Considerable difficulty and major dispute arises when considering certain usages of public land, or what has traditionally been "commons". There are many particular uses of this kind, e.g. driving through the CBD during business hours or on freeways at peak hour, hogging CBD parking spaces, placement of footpath café tables & chairs, cramming vantage points on public lands at peak times (e.g. some headlands during New Year's Eve fireworks on Sydney harbour), crowding onto summer beaches, fierce competition to catch board-riding waves, use of trawlers to decimate limited fish stocks, venting of exhaust gasses into the atmosphere. Even although such usages may be measurable by the hour and may involve moving rather than static spaces or volumes, or the exclusivity may be joint rather than several, they can constitute an effective *de facto* privatization of the commons to such an extent that its utility for co-equal use is frustrated. Arguably, therefore, government is then obliged (not just entitled) to issue licences (thereby founding & recognizing *de jure* status, i.e. a form of property in the land itself provided the license is specifically enforceable in equity) and to collect the SR.

One view is that the equal right of all men to use the commons involves & requires no proprietary rights in land and should never be limited by law: if this is done then "the collective" or "the government" asserts ownership of a direct gift from Creator and its constraints are a disgraceful 'socialist' or 'green' regulatory fine or 'congestion charge' interfering with (imposing conditions on) inalienable ancient individual freedoms, not a form of pure SR.

The opposing view is that the whole material creation is commons, that positive law sometimes & necessarily grants various degrees of private property over same and sometimes resumes & cancels these grants, that the ruthlessness & pace of today's crowded technological world imposes unprecedented pressures which cannot be addressed by the unspoken rules of a gentlemen's club, that the law has a duty to manage novel situations (which it can do by issuing licenses), and that SR can properly be characterized & collected via such licenses where necessary to ensure that land-based resources are utilized sustainably with decorum. This latter view says that, in these instances, **high demand can make equal access to commons physically & pragmatically impossible** such that society must intervene. Due to crowding & competition between "equal" users, actual fair & safe use & enjoyment of benefit is unachievable. Licenses for such operations can bestow a sufficient interest in land to found proprietary rights, hence making the license fee a proper form of SR. It says that only by requiring payment of SR in return for exclusivity in the use of commons can the equal rights of all men be maintained and it does not matter that the ambit of use may be severely circumscribed, or constrained to particular times, or continue only briefly, or be shared jointly with (defined) others. [Incidentally, we must avoid the trap of a terminological elision here: whilst the grant may be to various holders jointly *inter se*, the entire right so granted was & is one held equally (not jointly) by all men. Joint interests may be unequal when exercised: where A, B & C hold $1000 in a joint account, A may withdraw $999 perfectly legally and leave $1 for B & C].

This bitter internecine dispute comes down to a single issue: *what is a "legal interest (or private property) in land"?* Certainly freehold and Crown leases must be such. How about pastoral leases, where tenure is restricted to certain activities (depasturing, clearing, homesteading) but is not absolute (for instance, cannot prevent indigenes camping or hunting)? No doubt a lease creates an interest in land, however, this does not mean a license cannot do so. It is difficult to distinguish a lease from a license. Both are contractual agreements whereby an owner (including the Crown) grants access to land. The crucial distinction between a lease and a license is that the former, by its own legal nature, grants exclusive possession or occupation (which exclusivity is enforceable in trespass by the tenant even against the lessor) for a determinate period[12], whilst the latter grants no exclusivity and is revocable at any time. If the tenure is exclusive then there is a lease not a license, whatever the wording says, and there will be no enquiry into intention[13]. That exclusivity may be shared by co-tenants.

A license is not necessarily distinguishable on that basis. True, licensees usually have merely a non-exclusive personal privilege allowing occupation: they do not do not hold such a proprietary interest in land that (unlike tenants) they can themselves as of right exclude others (even the lessor or grantor) or sue for trespass. There is a legal distinction between a interest in land and a mere contractual interest which has some connection with land[14]. However, a license too can <u>contractually</u> grant exclusive access to land and licensees can enforce that, if not against third parties then at least against the licensor. At law, it is not the <u>fact</u> of physical possession that matters (the 'bully on the footpath'), but the <u>legal right</u> to possess (or exclusively occupy), and whether or not in common with defined others. If a statute or even a private contract expressly grants by license legal rights limiting occupation of specific public land for specific purposes & uses at specific times, that license can be irrevocable at will (save for breach) and can become an interest in the land itself, enforceable *in rem* by an equitable order for specific performance (rather than merely entitling 'mere' monetary damages on breach). Limiting possession to discrete periods[15] and limiting permitted uses[16] do not void exclusivity.

It is submitted that, in this regard, <u>the crucial testis whether or not the law will grant an order for specific performance</u> of the interest in & against the land, or injunct breach of the contract, as distinct from merely awarding monetary damages for a contractual breach. The crucial difference does not lie in exclusivity, since licensees may have contractual exclusivity which is essentially & logically no different (despite what are arguably more limited elements of brevity, periodicity, limited use or co-tenure) than a freeholder who (subject to the multitudinous constraints of planning, fiscal & environmental laws) has tenure of broad acres for the fleeting moments of his mortal lifespan in the aeons of time. The difference is just one of degree and not worth arguing about.

The fact is that all land belongs to the Infinite, to everyone, to the Creator, and allocations of exclusivity by human positive law will necessarily come in many forms. Public land or commons is continually being released and dedicated to various forms of privatized land, ranging from freehold through Crown leases to more limited pastoral leases and very limited licenses. In all instances these rights, even if only personal and not transferable, create a sufficient interest in land to be enforceable as such, if not in law then in equity, by orders *in rem* for specific performance or injunctions rather than mere *in personam* awards of damages[17]. For what it is worth, NSW statutes[18] define an "interest in land" widely, as including a *"right, charge, power or privilege over, or in connection with, the land"*. It seems unfortunate for the former view to define it narrowly.

Thus, a café proprietor can be granted by license exclusivity to set up tables & chairs on his stretch of pavement, a CBD motorist to park at a meter for an hour, the trawler to take the designated quota of fish, the reveler (in common with defined revelers) to watch harbour fireworks from Fort Denison or Lady Macquarie's Chair on New Year's Eve, the board rider (in common with other board- defined riders) to ride (less crowded) surfing waves off Bondi at weekends, and the motorist to vent exhaust gas into the Australian air. In all such instances the license may be enforceable *in rem* and so constitute an interest in land, such that the license fee is properly to be regarded as a form of SR.

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12 *Radaich v Smith* (1959) 101 CLR 209 (HCA)

13 *Radaich v Smith* (1959) 101 CLR 209 (High Court of Australia), followed in *Chelsea Investments Pty Ltd v Commissioner of Taxation* (1966) 115 CLR 1; *Goldsworthy Mining Ltd v The Commissioner of Taxation* (1973) 128 CLR 199; *Dampier Mining Co Ltd v The Commissioner of Taxation* (1981) 147 CLR 408.

14 *Stow & Ors v Mineral Holdings (Australia) Pty Ltd*, (1977) 180 CLR 295 at 311 (Aickin J.)

15 *Rendell v Roman* (1989) 9 TLR 192; *Radio Theatres Pty Ltd v City of Coburg* [1948] VLR 84; [1947] ALR 603

16 *Glenwood Lumber Co Ltd v Phillips* [1904] AC 405; [1904–7] All ER Rep 203; *Commonwealth v Roberts* (NSWSC, Greenwood M, CD 15440/92, 11 March 1993, unreported, BC9302004).

17 In *Jaynrees Services Pty Ltd v Chauhan* <u>[2006] NSWSC 1109</u> the NSWSC made an order for specific performance of a contract whereby a right under licence to use the vendor's neighbouring balcony was contained in a contract of sale. In *The Glebe District Hockey Club Inc v New South Wales Harness Racing Club Ltd [2001] NSWSC 401* specific performance lay for a license where damages were inadequate remedy for breach. In *Verrall v Greater Yarmouth BC* [1980] 1 All ER 839 a political party paid to use a hall, but the licensor (local council) subsequently purported to revoke the license. It was enjoined from doing so, such that the actual use proceeded (rather than a mere award of damages). In *National Provincial Bank Ltd v Ainsworth a* statutory proprietary right (bore license) was held to have adequate permanence or stability and to be a form of property.

18 Section 4(1) of the *Land Acquisition (Just Terms Compensation) Act* 1991 (NSW)

Quantum of SR with a License to use Commons: If the latter view is adopted, the SR is set by the free market at that figure which reduces demand to a comfortable minimum. However, this aspect of SR must only be applied to manage a genuinely crowded situation, not abused as a revenue-raiser or to enable general constraints upon use of the commons: trying that in a democratic society should be impolitic anyway. In particular, tolls on freedom of movement should be avoided.

Rights to exploit **renewable & non-renewable resources** (such as fish stocks, state forests, coal and minerals) would always remain vested in the Crown and over appropriate periods would be auctioned publicly by the relevant licensing authorities, according to scientifically sustainable quotas, with the winning bids (usually a benchmark sum + royalty rate) being applied to cover all expenses involved in studying, monitoring, protecting and improving the stock (rather than being siphoned off by politicians as general revenue). The auctions may require bids to pay royalty rates set to volume & quality of the resource extracted. The term of tenure would vary according to the resource: it might be decades for a new mine but only a season for a fishing license. Established miners who lose at subsequent auctions would have statutory rights to recoup from the successful bidder the depreciated value of infrastructure left on site. Prospectors who locate mineral reserves should be remunerated by the State but not otherwise acquire rights to exploit those reserves.

Where the sites are **electromagnetic frequencies & geostationary orbits** SR should be collected nationally by regularly auctioning licenses to the highest bidder. In no instance should such sites be leased at fixed rentals for long terms, let alone sold as private freehold, since global communications & freedom depend upon them remaining essentially open commons where the price payable for monopoly is frequently responsive to changing demand.

Sometimes, intensive demand for use of the commons may prevent or spoil usage by others. The SR attributable to **pollution from fossil fuels** & industrial fumes is one such example. It is obvious scientifically that industrial production of gases over the past century is threatening global atmosphere and all that depends on it. A charge for dumping industrial pollutants should be collected at the pump (or by measurement at smokestack), the "rental" amount being the market cost of planting & maintaining forests to sequester (lock up) the gasses emitted in useful **carbon** sinks. That charge must be levied on every user, regardless of means. The cleansing action of oceans truly exists, but it comes at an environmental cost (such as thinning of crab shells & death of coral) and should not be treated as "free": however it can be ignored for purposes of this equation since full land-sequestration is sought, such that oceanic cleansing is a bonus. However, all amounts collected (at the pump) must actually be applied to reforestation, or -- if land for reforestation ceases to be available -- to development of viable renewable energy sources (with all associated intellectual property being in public domain), and not be absorbed into general revenue to be manipulated by pork-barreling politicians. Such SR is the proper price payable for occupying the general commons via one's diffused poisonous gas: it is neither a "tax for using carbon" nor "rent" of a defined space, and assertions to this effect are mischievous. "Carbon credit trading" models are wrong: these politically-fix artificial prices (such as $23 per tonne), entrench ["grandfather"] established polluters, create mal-adjustments by granting "political exemptions", siphon money away from remediation into general revenue and create a class of useless brokers. The proper price for dumping atmospheric CO_2 is not set politically: it is the cost of full land sequestration with the fund actually being applied to same.

3. "Economic Rental" Value of Sites

The "economic rental" value of a site represents the market value of the exclusive use over it for a term (usually a year, with indefinite option to renew), as granted by society. In economic reality, this largely represents the value of the 'suite' of services supplied by creation or the community and benefiting that site. Unless the full value of those services is collected as SR, part remains with the site-holder and this part is capitalized as site-price and so encourages private profiteering & speculation in sites. Quite apart from the public thus being cheated of its full revenue entitlement, speculation is undesirable, being risky rather than rational & solid: it distracts from long-term investment, capital formation and reliable growth. If SR is collected, its burden reduces site prices to nil, so there can be no speculation.

It is important to emphasise that SR only collects the rental value of **bare sites**, as distinct from improvements to them: in other words, when assessing SR the value of improvements is ignored. Improvements always should remain entirely the untaxed property of those who labour & invest to create them, and can be used as security for loans. Sites in themselves would cease to provide any collateral security to lenders as the cost of holding them exactly balances the benefit of doing so. Under an SR system, all securities (such as mortgages) over site-price are worthless and imprudent. Financial instability inevitably accompanies any financial system which secures bank loans against site-prices, as these are inherently speculative bubbles and should not exist at all.

Some **forms of improvement** are obvious: such as buildings, dams & orchards. In time, certain improvements (such as the draining of swamps, the filling of recesses, the clearing of vegetation and the application of fertilizers) tend to merge with the land so that the original natural quality of the site is forgotten. All Australian States now distinguish between improvements *on* land and improvements *to or of* land[19]. It may be that where a building is badly deteriorated, or has become completely unsuitable for the type of development taking over an area and must be replaced to make the site viable & competitive, then demolition costs must be deducted: however, a negative site value should not result.

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[19] For this distinction see the dissenting judgment of Isaacs J. in *McGeoch v. Commissioner of Land Tax* 43 CLR 277

The **rental value** attaching to any specific site (as distinct from its improvements) is not created by the siteholder but rather **(i)** by Creation which endowed sites with fertility, mineralization, vista, topography etc. and **(ii)** by its location & zoning in the community. It is the community, the presence & activity of people, which makes sites economically valuable: sites in a desert or uninhabited land have no economic value. It is community expenditure on infrastructure that swells site-price and so accrues to the benefit of the site-holder rather than the public. Site values are highest where there are the greatest concentrations of population, productive enterprise and commercial activity. Site values tend to be lowest when remote from commercial centres and exposed to high transport & communications costs. Mass migration of population from a major city to a new location would see a fall in land values in the major city and a surge in land values at the new location.

Location must be considered & evaluated as regards proximity to institutions (hospitals, universities, schools, museums, churches), services (e.g. libraries, police, fire & ambulance), transportation (rail, busses, freeways), utilities (water, gas, electricity & transport), facilities (parks, employment) and private resources (e.g. retail shops and places of employment). There may be downsides, such as noise, odour & flooding. There will be site-specific factors such as size, frontage, orientation & accessibility. **Zoning** influences site value as it governs permitted & permissible uses, development potential and population density.

Highrise buildings ["strata title"] create "freehold in the air", i.e. the space between common walls. Under Australian law, proprietors of those spaces constitute a body corporate automatically at law. They have voting rights & levy obligations as per the registered survey plan (higher floors with better aspects pay + vote more). The land itself, together with common property such as the building structure, foyer, lift shafts & lifts (as distinct from internal airspace within the building), is vested in this body corporate. If the building is demolished, the land can be sold and the value divided amongst the body corporate members as per their legal proportions. SR would therefore be levied against the site/land value alone and paid by the body corporate, which would raise the necessary levy from the building proprietors as per their proportional obligations. No floor would be exempt from that internal levy. SR would not be upon the floors separately. Bear in mind that the site would have a relatively high value, due to its location (which supports the economics of building a highrise) and its zoning to do so. To charge SR direct upon the strata proprietors, merely because they have created an improvement that gives them freehold in the air, would equate to a selective & unjustified poll-tax.

The rental value of a site in the free market can be readily ascertained & bureaucratically set by university-trained **valuers** who study the transfer prices of land & improvements and discern the influence of various contributing factors. Subjective valuations (such as attachment to a childhood home) are ignored. These valuers, who are jealous of their reputations, would update & correct assessments continuously, dynamically & systematically. There would be appeal to specialist Land Courts. Politicians would have no involvement with the valuation process. Ultimately, each valuation of every site's annual rental value must be justifiable as compared to similar sites locally and across the broad economy. To avoid corruption and ensure transparency, the annual rental value of all sites should be **displayed by each local authority** continuously & publicly upon maps which are readily accessible at town halls & by internet. These maps would show interactively cadastral (property boundary) and topographical & town planning (zoning) information, so that the factors informing site value are readily apparent.

Valuers use two methods to quantify the SR payable. Under the **Sales Comparison method**, valuers study prices paid for sales & leases of improved lots and amass, digest & swap data concerning them. This data is collected from the compulsory nationwide sale/rental reports, as cross-checked against information from brokers, auctions, the press, advertisements, land developers' brochures and advice from banks & finance agencies. They continuously compare this data to sale prices for vacant (or demolition) lots. Thus they are able to establish approximate **"benchmark" values** for particular types & sizes of (bare) sites in various localities & zonings. They then create adjustment tables showing percentage multiplier effects which various conditioning variables are shown (by market data) to have upon the vacant site benchmark values.

The **Land Residual Value method** involves deducting the value of improvements from the transfer price of each lot, so as to ascertain the bare site value. The value of the improvements can be defined with a high degree of accuracy by reference to current construction costs (materials + labour) & depreciation schedules. Such costs (which are constantly reviewed) are themselves gathered from construction contractors, materials estimators, insurers & financiers. If unusual improvements are involved (e.g. gold taps) then that is a relevant factor that a purchaser will rush to disclose (lest their SR be artificially high). Arguably, rights of entry & inspection make this method rather invasive & laborious, but in reality these are rarely necessary.

After deducting the value of improvements from a site's transfer price, one is left with the price paid for the bare site. This **site-price should always approximate nil.** In reality, absent speculation or unearned increment, site-price is only a crystallization of future rental entitlements or expectations. If any site transfers for a price above the value of its improvements, then inadequate SR is being collected from that vicinity: consequently unearned increments are being pocketed (at public expense) by site holders. If a site transfers at below the value of improvements then the industry of the site holder, in making improvements, is being unrewarded because too much SR is being collected. In this sense, SR is capitalized in such a sum as exactly & equally balances what would otherwise accrue as site-price.

4. Current Forms of Revenue-Raising

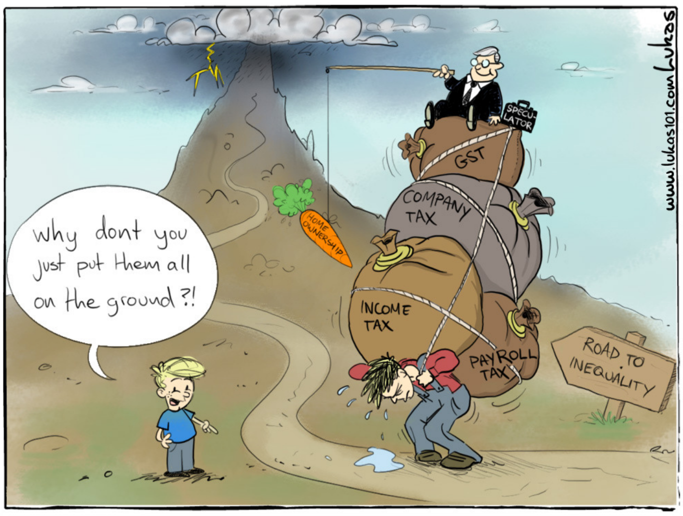
The average Australian pays some 125 different taxes each year, there being about 160 different state taxes and 259 taxes nationally, not counting local government rates. Australian taxation law is so complicated that even the 7 judges of the full High Court, professionally conscripted to interpret acres of writing, can be completely fragmented in what they rule and the reasons given. The Australian Taxation Office issues over 10,000 rulings a year, many of them with extensive consequences. At one blow under an SR system, this complexity would all be ditched, simplified to 0.6%.

All taxation distorts the economy by suppressing & warping the object taxed. In the 18th century, European authorities raised revenue by taxing chimneys & windows: as a result, folk built houses with few, or bricked them up. When Muhammad Ali, the Ottoman ruler of Egypt 1805-48, imposed a tax on date palms, the peasant farmers cut them down; (incidentally, replacing this impost with a tax on land of twice the amount produced no such result -- indeed, the farmers had incentive to grow more palms so as to raise the revenue to pay the tax). In the USA, capital gains are only taxed at 15% but income from labour can be taxed at 35%: this encourages speculation not production. If labour is taxed, it diminishes its effort or emigrates. If capital is taxed, it can flee the jurisdiction (perhaps to operate as an offshore company in a tax haven). If transactions (such as land sales) are taxed via stamp duties, people may hesitate to buy and efficiencies are curtailed. Similarly, income taxes constrain effort & initiative, payroll taxes constrain employment and tariffs exclude cheaper goods and coddle inefficient workers. Stamp duties impede mobility and relocation of residences to more efficient sites.

Deadweight taxes flourish throughout Australia so as to oppress effort & production and maximize profit for the manipulative puppeteers behind the scenes, the rentier class who pocket capital gains in land and skim off hidden values attending possession of sites.

In 2010-11 all levels of government in Australia collected 57% of total taxes as income tax (fining effort & initiative!), 13% as GST (complicating transactions!), 7% as excise on goods (increasing their price!), 5% as payroll tax (punishing employers!), and only 6% on land.

Possibly there is no salvation from the dead hand of the rentier class. They own the train and drive it, filled with bewildered voters and blinkered academics, straight to the cliff of oblivion. The time is late.



Various forms of **stupid subsidies** also distort the market. Thus, first home owner grants ["**FHOG**"] foster a general increase in house prices (benefiting no-one except vendors), and negative-gearing (which allows income-rich investors to tax-deduct interest paid on borrowings) strips $54bn p.a. from revenue, promotes increased land prices and assists the rentier class to outbid battling home buyers, locking these latter into tenancy. The hidden intent of both these subsidies is to coddle the rentier classes and to prop up the banks (whose securities are fixed upon assets) by keeping high the prices of assets (land, buildings, shares).

Such **irrational taxes**, and the rates of levy imposed under them, are relatively arbitrary and are necessarily complicated in order to reduce avoidance. This leads to evasion and complex litigation in which even the highest courts are severely divided. To make things worse, modern governments often (effectively) **conscript or enslave** citizens by forcing them to collect & remit GST and self-assess tax liability. This process is tremendously wasteful & inefficient, involving personal downtime & red tape and giving manipulative power to short-term politicians. Instead of continually tinkering with piecemeal adjustments, one should **roundly condemn all taxes**.

The **term "rentier"** arose when the lands of church & nobles, seized during the French Revolution 1789-93, were auctioned off by the embattled, cash-strapped new republic to the "rent-seeking" wealthy bourgeoisie, who then exploited the workers as their tenants. Much the same exploitation of the peasantry had been occurring in England ever since Henry VIII, in his breach with Rome, confiscated the Church lands, and subsequent statutes confiscated the traditional commons. Such enclosures were even more oppressive in Scotland, forcing emigration.

The **rentier class** (with their control of media, dumb unionists, tame academic twits & bipartisan politicians grasping for donations) love having a messy, complicated tax system where rip-off "tax minimization" dodges can be hidden, unproductive zombie mates can hold high-paid jobs suckling on the public teat, all whilst manipulated taxes on labourers & grants from afar improve their own property values and their rip-off of community-created capital gain & locational benefit escapes notice. A nice rip-off system if you have the stomach for it.

At present, such is the power of the **manipulative rentier class** (especially bankers), that they get priority in parasitizing on money creation and public revenue globally is rarely raised, in a substantial way, against tenure of land or sites. Instead, it is raised by varying, complex & arbitrary impositions against earnings (income tax), levies upon exchange of goods & services (e.g. GST & sales taxes), financial transactions, death duties (on deceased estates), transfers of property (e.g. stamp duty), employment (payroll tax) and the production or importation of goods (excises & tariffs). Occasionally poll taxes apply against individuals merely for existing. Indirect taxes, such as sales taxes & tariffs, are hidden from public view and are particularly pernicious. All of these are levied against an indiscriminate amalgam of income arising from, or transactions involving, the three sources of wealth (to wit labour, capital and land), although only the last of these is unrelated to human effort.

In healthy contrast, **SR creates no distortions or economic inefficiencies** since it does not change economic behavior. As the demand for sites grows, so their rental value increases. Yet the supply of sites is fixed: sites cannot react to taxation by changing their nature or leaving the jurisdiction. Unavoidably, people will still occupy & use sites (whether as proprietors or as tenants) because they must live, work and obtain resources somewhere. SR, as pure site rent not levied upon improvements, is in the nature of a "surplus" which can be taxed without affecting production incentives[20]. SR does not affect demand for employment or for goods & services, apart from rendering unnecessary a wide range of artificial, parasitic & unproductive political, bureaucratic, legal & accounting services.

Reflecting 19th century awareness, vestiges of SR still exist in S**tate Land Taxes** and the **rating systems** of Queensland & NSW[21], which reflect the unimproved capital value ["**ucv**"] of each lot. Thus, to some extent, these states collect betterment values (and compensate worsenment) accruing to lots due to community expenditure or usages. Unfortunately, the purity of these vestiges has been adulterated by collection of far less than the whole betterment, exemptions, minimum rates, notional aggregations, thresholds, special levies, Commonwealth subsidies and imposition of user charges. The rating vestige has been almost totally destroyed in Victoria and South Australia[22], where the value of improvements is a major factor in setting rates. WA has never rated on ucv.

After Federation in 1901, an excellent leasehold system[23] in the ACT was adopted for the projected national capital in the daring & imaginative **Canberra experiment**. However in 1971 Prime Minister Gorton (in order to attract votes at a by-election) pandered to large commercial interests & residents' greed, betrayed the founding vision and terminated the regular reappraisal of ACT land values for rental purposes in favour of municipal rates, thereby enabling private capitalization of site values[24]. This emasculation passed almost without comment: there was no longer any political grasp of the concept of unearned increment.

5. Implementation of SR

Aside from **absence of political will** (caused by the antipathy of selfish vested interests and the ignorance & indifference of the mass public), there is no substantial impediment to implementing an SR regime. SR could be implemented overnight: doing so would be cheaper & simpler than the advent of GST. In most advanced countries, sites are defined by cadastral survey and the requisite administrative & financial infrastructure is already in place at local government level, where rates are determined on each cadastral lot.

In respect of land & water-based sites, SR should be **collected by local authorities**, which would retain a share and remit the balance, in proportions agreed at annual conferences, to state (or, preferably, bioregional) and federal levels of government. This decentralization of power is healthy as it would curb the distant elitist insensitivity of politicians by empowering local communities and place a valuable emphasis upon their role in the commonwealth.

SR should be **collected entirely**, not by staged increments, as of next 30th June. All other forms of revenue-raising would then cease (without prejudice to rights & obligations existing at that date). There should be **no gradual phasing in** of the SR system as this would insult the primary principle, treat the reform as merely a fiscal mechanism and create confusion & complexity.

No exemptions are allowed (even for charities, churches, hospitals, museums & schools -- as these should be accountable & efficient in their site use), save for completely unenclosed sites open without charge to the public (such as roads, beaches & parks). It is improper & unnecessary to charge tolls on freeways, or even for use of public transport, as these improve economic efficiency and the quality of local streets, thereby increasing general SR collected across the benefited localities. **The Crown** itself should pay SR in respect of sites (e.g. office buildings & commercial timber reserves) held by its departments & agencies, since this encourages efficiency & accountability and curbs waste.

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20 Paul A. Samuelson Economics -- Australian Edition McGraw-Hill 1955, 1967 ed. p.594

21 Which allows special rating as well, s.492 *Local Government Act*, 1993.

22 Although ucv or site rating is permitted: s.151(3) *Local Government Act*, 1999

23 Under the *Lands Acquisition Act* (Cth., 1906).

24 See Frank Brennan *Canberra in Crisis*, Dalton Publishing Company, 1971.

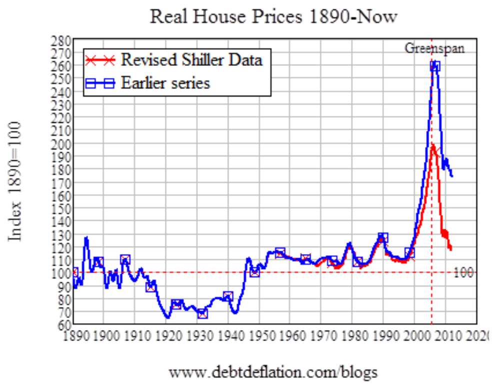
SR should be easy to pay anyway, as it only amounts to the return to the community of an excess income derived from the locational advantages of each site. Payment of SR **cannot be avoided, evaded or manipulated**, since sites and their worth cannot be hidden via trusts, offshore payments and sleights of hand. It applies to each siteholder, regardless of wealth or income. SR would form a first charge against each site and would take priority over all mortgages and claims in bankruptcy. Non-payment of one's SR obligation constitutes a debt, not (in itself) a ground for eviction, although a judgment in respect of that debt could be affixed by writ to a land title and its sale forced (as at present). In cases of **genuine hardship**, enforcement of the obligation could be granted (against the security of the improvements) for a period until the prosperity flowing from wholesale economic rejuvenation brought improved incomes. If any current siteholder (e.g. an '**old widow**') was unable to pay the SR, it would accrue, secured as a community charge over the value of the improvements on site and registered against the land title: this would be payable on death and so be visited against the heirs' inheritance.

It is sometimes feared that specific individuals (e.g. pop stars, inventors, authors or professionals working from home) may become rich without needing access to valuable sites, thereby **unfairly avoiding** contribution to public revenue. However, such persons are not using sites rendered valuable by nature or by the community: it is difficult to define anything for which they should pay. Indeed, their very enterprise or genius may be stimulating and beneficial to the community in cumulative, spin-off ways not immediately apparent. In any event, they mostly live, work & play, or eat food & consume goods produced, from sites somewhere and so, as tenants or indirectly via consumer prices, will contribute to the SR collected.

6. The Benefits anticipated in a Site Revenue Society are:

(a) Generally: SR enables all people globally to use sites for their legitimate activities, freed from taxation. It ends the unearned pocketing of locational values & plundering of the natural environment, and the destabilization of banking systems by imprudent, insanely-leveraged attachment of mortgages to site-value bubbles. In this way that basic human right, equal access to global resources, would be secured, giving society a truly just foundation.

(b) Economic: Failure to collect SR creates continuous boom-bust conditions, with gradually rising booms culminating in sudden devastating busts. Boom-Bust is not endogenous to healthy economies or financial markets: rather it is an **artificial roller-coaster** caused by breach of natural laws. Absent SR, booms force rents up and encourage speculation in land-price: this inflates artificial bubbles. Greek property values inflated 220% over a decade, Ireland 400% and Spain 201%. In Australia the increase was 126% from 1995-2010, adjusted for inflation. Financial institutions make **imprudent advances** secured against the temporary, artificial, fallible & unreliable security of such bubbles and so become exposed to failure when wages are unable to pay mortgages. 70% of bank assets consists of such mortgages. Upon default, we enter a **depressive spiral.** Banks foreclose but low property prices weaken their balance sheets, hard-pressed borrowers sell at a loss, prices of land & shares fall further, banks get scared about their balance sheets, credit dries up and folk cease to buy or to invest in productivity.



US house prices (as adjusted for inflation) soar, then fall in 2008

The unearned rent extracted diminishes wages (the proper return to labour) and diverts benefit from technological improvements. Unemployment sets in, so folk stop purchasing many goods, production cools further and resource prices drop, all whilst welfare outlays increase. Institutions unload land & equity assets to meet debts & margin calls, and consumers (no longer able to access credit) pay down debt if they can, rather than purchase, putting further downward pressure on commodity and land prices. As land is firesaled to meet debts, so local rates (based on property values) and taxes (levied against income) themselves decrease, forcing cuts to services and reinforcing the depressive spiral. Yet, despite reduced tax revenues & productivity, the taxpayer is often required to bail out the resulting bank failure lest financial mayhem ensue (in fact at most innocent depositors should be rescued and financial institutions should be required to insure against that). This can only be done by increased government borrowings, or money-printing.

Eventually, the bubble bursts and rock bottom is reached because, at the end of the day, humanity needs land & production. Then, briefly, the true profitable productivity (yield) of companies and of real estate is reflected in their prices, without a speculative element. Booms commence hesitantly after a bust as property & share prices gradually recover, with false hopes again being peddled by spruikers to a new generation of naive public, accompanied by rising commodity costs & easier money, until and interest rates rise (or are raised) to cool the market, whereupon mortgage defaults again reinvent the cycle. Thus are created, out of speculative asset bubbles, regular "**Kondratieff cycles**" of boom-bust economy, which tend to last over "generational" periods of about 18 years unless interrupted by a war[25].

[25] See Phil Anderson *The Secret Life of Real Estate* (Shepheard-Walwyn Ltd, 2008).

SR imposes a severe disincentive upon owning more land than one has to. It totally eliminates ***land speculation***, which diverts investment from productive enterprise. Consequently, especially as taxation constraints cease, it encourages investment into productive enterprise (manufacturing, jobs, marketing & fulfilment of desires), thereby stimulating ***employment*** as new opportunities are opened. Creation of jobs in primary industry generates many more jobs downstream. Cessation of bubble-prices for land ensures that ***bank loans are prudent***, secured against real value: this enhances bank security and avoids bail-outs as price collapses are less likely once workers are able to service mortgages reliably. ***Boom-bust*** roller-coaster economies cease to occur.

SR also halts ***inflation***, which (apart from banks creating money and modern Monetary Easing[26]) is due to spending of unearned income -- backed by no real production of goods or services – accrued from site monopoly & land speculation. Inflation erodes & discourages saving and raises prices & interest rates, at an extreme forcing artificial customs barriers & price ceilings or subsidies so as to keep necessities affordable. Because site price disappears under SR, those requiring funds to improve sites will need to borrow less and interest rates will fall due to competition amongst lenders. ***Rents*** are reduced as siteholders are urgent to have tenants to enable payment of the SR. There will be ***higher, tax–free wages*** & returns to entrepreneurs. The price of goods and services will be stable, due to inflation evaporating, or even cheaper, due to competition & efficiency, but there will be added extraction & pollution costs.

Wherever that price ends up (higher or lower), it will be a real economic price, which reflects environmental externalities (e.g. pollution & shortage of raw resources). Wealth would be economically (not forcibly) redistributed amongst all willing to work with hand or brain. There would be no 'capital gain' from sale of sites (let alone interest thereon): this is private theft of community SR. The only real ***interest*** should be upon savings from labour. Within one generation SR would ***act as a great leveller to end the rich-poor disparity*** and spread wealth evenly. Probably the need to labour would be much-reduced, liberating folk for higher artistic & spiritual activities.

(c) Industrial: The ***bargaining-power of labour will be strengthened***, since workers would have cheap or free access to marginal land and could choose <u>not</u> to work for others. This choice will exist at a time when site holders will be keen to employ labour so as to earn income and pay their SR, or else lose rights to their sites. This will ***foster co-operation*** between labour & capital, even to the extent of making awards & unionism redundant. Unemployment was virtually unknown in Europe until the commons were enclosed by the rich & powerful and it would again be unknown in an SR economy, which lifts tax penalties, rewards enterprise, empowers labour and stimulates new opportunities.

(d) Environmental: SR halts environmental degradation by auctioning the right to exploit. SR forces responsible use of natural resources, with the proceeds of such auction being applied to amelioration & restoration. SR requires a thorough & full accounting by those who exploit the global commons e.g. by ***pollution***[27], devegetation and privatized resource-extraction. Landlords (competing for tenants) and site-holders (keen not to devalue their improvements) actively will beautify their sites with vegetation & open space. Landholders who retain or create vegetation (and so enhance the health, vista and rental value of other sites) could receive rebates in respect of the visual amenity & carbon sequestration thereby supplied. Laying waste to rural land (e.g. by ***over-stocking***) would not be viable, as its SR would be assessed at original capacity, or that of adjacent equivalent land, and medium-term reduction in its ability to service that SR would force its transfer for below the value of its improvements. In any event, normal environmental laws, protecting flora & fauna, would continue to apply.

Water, like roads & wiring for electricity & telecommunications, and like light and air, is common property not especially amenable to private ownership and best vested in a sovereign state[28]. Its provision is essential public infrastructure, the existence of which augments SR, so necessary catchment areas & supply hardware should be held publicly, even if delivery operation is contracted out to lowest competent bidders. However, in no instance should governments own or sell the water (as in many US states): the price for its supply should be capped at actual operational cost of collection & pumping, plus a percentage necessary to amortize future system replacements. Where water is totally destroyed, for instance by being admixed with poisonous chemicals and injected deep underground (as with coal seam gas fracking), rather than being utilized in a recyclable way, very different pricing mechanisms pertain. Siteholders should be at liberty to harvest water falling upon privatized sites, save that the unimpeded flow of natural runoff may be mandated by regulation in an environmentally appropriate proportion.

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[26] Reserve Banks printing cash (usually by electronic entry) 'out of thin air'.

[27] For assessment of SR in respect of pollution, see section 3 above.

[28] Blackstone, *Commentaries on the Laws of England*, (1766), bk 2, c 1 at 14–15.

(e) Over-Population: Clearly Malthus[29] was wrong that over-population (whatever that is) leads to poverty, since a sevenfold increase in global population since 1800 has not done so – thanks to input of human labour, science & technology. That said, the planet has finite resources and there are real constraints. Nevertheless, it is not necessary for all nations to rush off beating their breasts and sterilizing folk (as India did in 1976) or enforce a 'one child' policy (as the Chinese have rather bravely if ruthlessly done). Perhaps true liberty will bring its own inspired answers. Observation shows that more educated societies, as in Europe, support their children (rather than exploit them) and so limit their breeding, barely (if at all) maintaining their numbers. Surely it would be wise first (before worrying about over-population) to implement SR globally so as to halt profiteering in resources, end oppression of the landless and spread wealth evenly, thereby enhancing education & leisure.

(f) Town Planning: SR eliminates corruption & distortion from town planning, where developers often bamboozle silly voters with glitz to capture councils & regulators, since all profit arising from changes to town plans would flow to the community and could not be privately pocketed. Because land price is destroyed, so resumption of land for desirable public purposes becomes much more feasible. By burdening all sites (including speculative, vacant & under-used inner-city sites) with assessments reflecting potential best-use, SR encourages in-fill: consolidation diminishes urban sprawl, which blights the countryside and cripples transport efficiency. Developers would be unable to stymie development (unfairly, at least) by purchasing units & acquiring veto powers in adjacent low-rise strata buildings which might otherwise be demolished and rebuilt, blocking their own development's vista, since any premium vista held or retained in any structure will raise its SR liability.

(g) Social: Due to the equalization of bargaining power between labour & capital, there will be a progressive lessening of the disparity between rich and poor, and the total elimination of private appropriation of the common wealth as a basis for that gap. The price of sites (as distinct from improvements upon them) will be reduced to nil, thus giving to **welfare dependents** easy access to unimproved land for homesteading, even if only at the economic margins. Better housing & small businesses will result as money diverted from land price (i.e. from speculators & financial institutions as mortgagees) is applied to buildings & owner-businesses. Thus, there will be a progressive eradication of those factors which contribute to the existence of the disadvantaged and a gradual elimination of slum areas and enrichment of family life.

(h) Globalization: The only real abuses of globalization arise from failure to collect SR, which collection is essential if competition is to be free. Such abuses as free pollution, devegetation, privatized resource-extraction, labour exploitation, price-rigging, government-conferred subsidies & special privileges are all impossible in an SR society. In that context, protests about the diminishing of barriers & borders to international trade & investment are misplaced. These economic freedoms are essential for a global technological village, which requires efficient production, cheap products and travel without borders. A resurgence of trade protectionism & tariffs would be a disaster. However, globalization will only work properly if SR is collected globally. Failure to do so enables those who are at present wealthy to bribe & manipulate governments (e.g. by perverting town planning schemes and by securing grants & concessions), to maintain an unrequited stranglehold on global natural resources, to exploit & pollute the environment, to abuse workforces (especially in impoverished countries without unionization) and to avoid taxes by e.g. maintaining offshore corporate structures. Assertions that wealth "trickles down" from the rich are manifestly untrue.

As a result of failure to collect SR, it is possible for goods to be produced "cheaply" in unconscionable circumstances, for instance at great abuse to environment (as in China). Consequently, so as to protect global environment and local production, it may be appropriate to impose import duties upon some goods (depending on their country of origin & circumstances of production). Such import duties are a partial SR, collecting for instance the sum appropriate to redress environmental pollution, and the monies collected (after deduction of administrative overheads not exceeding 10%) should in no instance be deposited into general revenue but rather be remitted to the country where the goods originated and expended there upon environmental or social remediation.

[29] Rev. T. R. Malthus (1766 - 1834) "An Essay on the Principle of Population" (1798).

7. Christian Angle

> The land shall not be traded for ever: for the land is mine: ye are strangers and sojourners with me. And in all the land of your possession ye shall grant a redemption for the land[30].
>
> Behold that which I have seen: it is good and comely for one to eat and to drink, and to enjoy the good of all his labour that he taketh under the sun all the days of his life, which God giveth him: for it is his portion. Every man also to whom God hath given riches and wealth, and hath given him power to eat thereof, and to take his portion, and to rejoice in his labour; this is the gift of God[31].
>
> Moreover the profit of the Earth is for all[32]…

Whilst this analysis does not depend upon religious argument for its validity, that aspect of human experience nevertheless forms part of the whole and can assists those who seek guidance amongst the monsters on the seas of the world. ***Intransigent skeptics should just skip this section*** and rely on their own creature mind alone to know the infinite.

The traditional Judaic social law contained a unique, radical and egalitarian prescription preventing poverty and the accretion of large landed estates[33]: in modern times that prescription should still apply in its spirit as SR, rather than in its ancient form. After liberation of his people from bondage in Egypt, in about 1350BC Moses implemented various commands in the Torah[34] whereby the promised land was divided fairly by lot amongst 11 of the 12 tribes (and subdivided amongst clans & families), all paying a tithe (10%) of their produce to the 12th tribe, the urban Levites, who performed in return artisan & priestly functions.

Thus Israel existed for 400 years from Moses until King David in 1000BC, without central government or taxation (save for the tithe as land rent), amidst great prosperity & equality, all the time observing the revealed system of land tenure under the Jubilee system. Removal of landmarks was forbidden[35] and each 50th year (after every 7 x 7 = 49 years) all land sold or mortgaged was returned unencumbered, without compensation, to its original grantees or their heirs. There was no absolute tenure. This meant that the land itself was never for sale: only saleable was the potential of harvests until the next Jubilee. There was no word for, or concept of, "beggar" in Israel at this time. Incidentally, the Plymouth brethren followed the Mosaic example when first they came to North America; the land was divided by lot, the allocations valued and a rate imposed reflecting that value[36].

The Jubilee was observed for some 500 years after Moses but by 860BC was breaking down, especially in the north where the Omri line of kings fell under Phoenician influence (where land was held feudally and Baal was worshipped). King Ahab tried to force a totally illegal purchase (privatization) of Naboth's ancestral inheritance his vineyard, but was rebuffed and his wife Jezebel (a Phoenician princess) achieved the desired result by murder[37]. Breach of the land law increased. Isaiah warned against the trend towards land monopoly: *"Woe to those who join house to house, who add field to field, until there is no more room, and you are condemned to dwell alone in the midst of creation"*[38]. After a series of incursions 722BC - 555BC the Jubilee ceased in the north when the ten northern tribes were captured by the Assyrians, being replaced with Samaritan colonists. It ceased to be observed in the south when, with Israel caught between Assyria, Babylon and Egypt, the Babylonian captivity removed the bulk of the remaining two tribes in raids from 605BC, followed by initial capture of Jerusalem on 16-03-597BC[39] and its subsequent recapture (after rebellion) in 587BC and destruction of the first temple (Solomon's, built 827BC) on ***9th Av*** in 586BC. Thereafter, perforce, ironically, the land "enjoyed her sabbaths"[40]. Despite all that lesson, upon Jewish return to Jerusalem and reconstruction of the temple in 535BC after (since the first raids) 70 years captivity, the Jubilee system was not reliably reinstituted and rich-poor gap & beggary resumed.

It is fascinating that when (about 30AD, immediately upon return from temptation in the wilderness) Jesus read a text in his local synagogue, his "gospel to the poor"[41], he deliberately chose Isaiah 61 (which echoes Leviticus 25) but dramatically shuts the book after saying "*to preach the acceptable year of the Lord*" [i.e. the Jubilee] without proceeding to read the rest of Isaiah's sentence "*and the day of vengeance of our God*[42]". Clearly Jesus hopes that day can be avoided by human re-adoption of the Jubilee. As he says later: *"Think not that I come to destroy the law of the prophets: I come not to destroy but to fulfil. Till heaven and earth pass, not one jot or tittle shall pass from the law until all is fulfilled[43]"*. Of course, that has never occurred and for 2000 years the "day of vengeance" has gone from bad to worse in a world with hearts hardened against the divine message. Then as now, the audience is angry at Jesus and rejects him: how dare the local carpenter's upstart son attack the monopolistic privileges of the landed class[44]?

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30 Leviticus 25:23.
31 Ecclesiastes 5:18-19
32 Ecclesiastes 5:9
33 An excellent overview is John L. Kelly *The Other Law of Moses* (J.L. Kelly, Illinois, 2011).
34 Especially Leviticus 25.
35 Deuteronomy 19:14; Deuteronomy 27:17; Proverbs 22:28 Proverbs 23:10
36 Wm. Bradford, 1627, *History of Plymouth Plantation*, from the original ms of Bradford's history *Of Plimoth Plantation*, Book II. Boston: Wright and Potter Printing Company, State Printers, 1898, pp. 258-61
37 1 Kings 21
38 Isaiah 5:8
39 Josephus, Antiquities XI 8 26; 1 Macabees vi 53
40 II Chronicles 36:21
41 Luke 4:16
42 Isaiah 61:2
43 Matthew 5:18
44 I am indebted for this insight to Sir Kenneth Jupp's essay "The Covenant with God", Geophilus Autumn 2002 pp.34-51

A humanist sceptic might dismiss the morality of the Bible as humdrum, its miracles as fairytales, its archaeology as unproven and some divine orders[45] as those of a vengeful psychopath, but it is impossible rationally to dismiss its prophecies. Some 27% of the biblical text is 1,817 prophecies in 8,352 predictive verses.[46] These prophecies are scattered across both testaments like shards of pottery, but the shards are linked as they always use identical Hebrew or Greek words & symbols (beasts, horns etc.) to show different aspects or contexts of the same events. Often the prophecies take effect twice, as type (immediate, local & simple) and antitype (long delayed, global and complex). The text itself contains all necessary interpretative keys, but piecing meaning together takes hard work studying both the texts and history: the Christadelphian exegesis is a good basic starting point. Whilst sceptics may quibble, about 80% of the prophecies have been fulfilled[47] and it is promised the final 20% will be fulfilled within a lifetime[48] of 14 May 1948 when the nation of Israel ["fig tree"] was "reborn in a day"[49]. Perhaps this is happening even now before our eyes.

After all, all as foretold[50], the 10 northern Jewish tribes ["Israel"] were deported in 722BC (after reneging on the Jubilee[51]) by Assyria and dispersed (to avoid an uprising) and ditto for the 2 remaining southern tribes ["Judah"] by the Babylonians starting with raids in 605BC[52]. This latter captivity did last 70 years[53] and from the return to Jerusalem & rebuilding of the temple on orders of Cyrus on 14-03-443 BC, a total of 173,880[54] days *to the very day* would[55] and did[56] elapse until 475 years later on 06-04-0032 Jesus as king rode on an ass -- as foretold[57] -- into Jerusalem, prior to the second temple being destroyed (by the Romans) in 70AD (again, on ***9th Av***: incidentally, Moses' 12 scouts spoke disparagingly about the Promised Land on ***9th Av*** and on ***9th Av*** 1492 the Jews were expelled from Spain). The remaining prophecies should be read on basis of one (Jewish, 360-day) year per prophetic day[58] and, although often still cryptic, indicate earthquakes & wars[59], destruction of Syria[60], the ruination of unsound money[61], an invasion by Russia through Israel (off whose coast large oil & gas deposits are recently discovered) to Egypt whilst USA-UK based in Saudi Arabia stand impotently by[62], a perplexed Europe reshaping to a core of 10 nations[63], followed by formation of a world government.

45 E.G. genocide of the Amalekites (Deuteronomy 25:19, 1 Samuel 15:2-3) & Moabites (Numbers 31;1-7)

46 Professor J. Barton Payne, *Encyclopedia of Biblical Prophecy* (1973), Baker Books at pp. 674-675.

47 See eg http://100prophecies.org/, http://www.christadelphia.org/pamphlet/p_prophecy.htm

48 Mark 13:28-30

49 Isaiah 66:7-8, Hosea 13:14

50 By Isaiah (in say 760BC) 5:13; 13:1-14:27

51 2 Chron 36:20,21; Isaiah 5:8

52 Actually foretold in 647BC through Jeremiah (20:3-6; 21:3-10; 39:6-9)

53 Foretold by Jeremiah in 647BC (24:1-7; 25:11,12; 29:10; 30:11, 18,19) and see (for fulfillment after 70 years in 535BC, pursuant to a decree in 538BC by King Cyrus the Persian which was itself foretold by name by Isaiah (44:28) in about 760BC which is 222 years before), see: 2 Chron 36:20; Ezra 1:1; Daniel 9:2

54 Daniel 9:25 (in 591 BC)

55 Daniel 9:25 (the book of Daniel certainly existed, and was translated into the Septuagint Greek, at 270BC)

56 Chuck Missler "The Precision of Prophecy" http://www.khouse.org/articles/2004/552/

57 By Zachariah 9:9, in about 519BC -- 551 years prior

58 Ezekiel 4:4-8

59 Matthew 24:6-8; Mark 13:7-8; Luke 21:10-11.

60 Isaiah 17: 1-2; Jeremiah 49:23, 24, 26

61 The dollar sign derive from the traditional Spanish coat of arms, which depicts the two Pillars of Hercules wrapped with an S-shape ribbon. The symbol was used to demote the famous Spanish "piece of eight" which was in circulation throughout the Americas during the 18th century. The symbol (and the term dollar) was formally adopted by the USA in 1785. Tarshish (later the Roman Tarsessos) was a Phoenecian city at the mouth of the navigable river Guadalquivir, on the Atlantic seaboard of Spain, near the mythical Atlantis (which sank) and the "Pillars of Hercules" at the straits of Gibraltar. From the time of King David (1000 BC) Tarshish was used by Jewish merchant seamen to reach France and England. Thus the phrase "the Merchants of Tarshish and the Young Lions thereof", in the Book of Revelations, is interpreted as meaning Spain, the UK and its colonies (USA, Canada, Australia, New Zealand). This is substantially the configuration which invaded Iraq on 20-03-03 -- a war which has cost some US$600bn. In the end times the harvest precedes the vintage (Rev. 16 to 19). The frog spirits (croaking democracies originating from Parisian marshes), constituting the "king of the south" (Dan. 11:40) and equating to the Merchants of Tarshish, initially invade the Middle East whence the conflagration spreads globally as Russia ("Gog") joins in (Ezek. 38:4). The "ships of Tarshish" are the powerful Anglo-American financial systems which have pervaded the globe. These are specifically listed for destruction (Isa. 2:10-19), by an east wind (China) [Ps.48 v.7). The merchants of the earth will greatly lament loss of the prosperity the harlot brought (Rev. 18:8-19). The poor and the environment, ultimately (after much suffering & turmoil), may not, at least for 1000 years.

62 Ezekiel 38:13 .

63 A template for interpreting beast symbolism is provided by Daniel chapter 7. His vision here (ostensibly in about 560BC, towards the end of the Babylonian captivity which commenced in 605BC) was of 4 separate "snapshot" beasts but one had 4 heads (i.e. a total of 7 heads), the final one having 10 horns, from amidst which came up 1 "little horn" that uprooted 3. Daniel's beasts are expressly explained at 7:17 as being kingdoms. These are usually interpreted as the Assyrian, Babylonian, Greek (from Alexander in 332BC) & Roman.Whilst Daniel 7 was originally written in Aramaic, like his previous chapters 2-6 (but not 1), all the following chapters are written in Masoretic Hebrew. Pundits argue that these later chapters were written during the Maccabeean revolt at 167-63BC (when Israel again achieved independence during the 400 years between Malachi and Matthew), to motivate the populace, and so artificially concoct indications falsely (after the fact) foretelling the desecrations of that zealous Hellenizer the Assyrian [Seleucid] Antiochus IV Epiphanes (175-164 BC), who sacrificed a pig at Jerusalem on the temple altar and made possession of the Torah a capital offence. This independence was ended in 63BC when the Roman Pompey captured Jerusalem.

The attempt at world government, whether it is to be engineered by humanism or by force, is prophesied to fail[64] and indeed then to lead, when a 200m. man army comes from the east [China-India?][65], to a great war centred on Israel[66] involving all nations.

> "I will gather all the nations and bring them down to the Valley of Jehoshaphat. And I will enter into judgment with them there, on behalf of my people and my heritage Israel, because they have scattered them among the nations and have divided up my land".[67].

What to make of all this biblical content, about which few people know or care; what invisible hand is involved? Such destructive mass outcomes are the polar opposite of the small scale localized blessed personal freedoms & decentralization endorsed & enabled by SR. As if free & stable markets & communities can be planned: they arise spontaneously! This is not "every man under his vine and under his fig tree"[68]. Dictatorial global oligarchy is empowered if local communities and nations are unable to grow own food & self-manage.

Make no mistake: the lust to privatize global resources and to speculate in financial securities charged against them (not to mention ridiculous artificial derivatives fabricated thereon), for which privatizing plots of land & resources is an exemplar, lies at the back of all international conflict. The Church itself has become one of the largest landowners and returns no SR to the community: yet even its charitable role has been shouldered by the welfare state. The God of the Bible is not one to say things twice. As foretold[69], this transgression of the basic ordinance threatens to desolate the world, burning both lenders and borrowers. The sabbatical year commences each 7th year on the 29th day in the summer month of Elul, when the Rosh Hosanna festival occurs at sundown. Perhaps it is significant that, on 29 Elul in the sabbatical years of both 2001 and 2008 (on 17th & 29th September respectively), the US stock market crashed.

The 2008 GFC was just the beginning of economic turmoil for a faithless, ridiculing people, reliant on printing money to solve real problems. *"For they have sown the wind, and they shall reap the whirlwind: it hath no stalk: the bud shall yield no meal... "*[70]. Indications are that the world will reject SR, with all nations drunk on privatizing sites & resources[71], just as it will continue to reject the God of the Bible, although the opposite is always possible in each regard were humble & intelligent ways of grace & sharing adopted. Not that respecting God and the Bible would be particularly essential if at least intelligence was observed!

8. Common Objections to Site Revenue:

Common objections to SR, made by desperate small minds stooping to misrepresentation, are that it is just another tax, that it is land nationalization, that it makes owners into tenants, that it would rob homeowners of their major asset, that it would be passed on to tenants, that it would rob homeowners of their capital, that it is (inconsistently) communist, capitalist or socialist[72], that it would be unfair to native peoples[73] and that it would be inadequate for a modern state[74].

Philosophically, SR is not an arbitrary impost by government and so is ***not taxation at all***. It is simply collection by the community of payment for services rendered, being the market value of rights (to exclusive use) granted by the

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If true, such manipulation (manufacturing angelic interpreters) would be a major, but not necessarily fatal, blow to the entire position of Biblical inerrancy & prophetic accuracy and would impugn the famous "70 weeks" vision in chapter 9 and the 536BC "Michael against Persia" vision in Chapter 10. However, this alleged confection cannot be so, as Daniel existed as a book in 250BC when the Septuagint translation into Greek occurred and, according to Josephus, the Book existed in about 332 BC (Antiquities of the Jews book 11:8.3-4; Froom 1950, Vol. 1, 167-169).

That same template must be applied to the beasts in Revelation, revealed in about 100AD to John of Patmos. There are 7 heads and 10 horns on the Rev.13 symbolic sea-beast, whose deadly wound (defeat of the Papacy by Napoleon in 1798?) is healed and which is given power for 42 months. This beast must be the same one as in Daniel 7. That sea-beast is aided by another lamb-like beast with 2 horns which speaks like a dragon [USA-UK?]). The 7 heads are mountains [see Rev. 17:9-10] i.e. the 7 world empires [see Jer. 51:25] historically impacting Israel: Egyptian, Assyrian, Babylonian, Median-Persian, Greek, Roman, Ottoman. There are also 7 heads and 10 horns on the Rev 17:3 land-beast, which is ridden by the whore (godless profiteering & apostasy). In about 100AD the angel says to John of Patmos (Rev.17:8,11) that this beast "was, is not and shall ascend": it used to be one of the 7 and shall become an 8th. Clearly the 10 horns on the 8th beast are kings (nations) which give their power to the beast [Rev.17:12]

64 Daniel 7:8, 11, 24,25; 9:26,27; 11:21; Thes 2:7,8; Rev. 13:1-8; 19:19.
65 Revelation 9:16
66 Revelation 9, 16
67 Joel 3:2 ESV
68 Micah 4:4
69 Isaiah 24:1-6
70 Hosea 8:7
71 Rev. 18:3
72 See section 9 below
73 See section 10 below
74 See section 11 below.

community to individuals over the social & natural advantages of specific sites. In fact, failure to collect SR is public incompetence which fosters private theft of a public good (sites) and drives a wedge between law & morality. Furthermore, that value is ascertained by skilled observance of the free market: it is in no way dictated by politicians focused on the next election (these being invariably greedy, corrupt or partisan to some degree). However, legally & constitutionally, SR may be expressed as a tax collecting 100% of site value.

SR does ***not involve land nationalization***: freehold (fee simple) land titles remain. Proprietors would be free, without time limit on their estate, to use, sell, transfer & devise (by Will) their sites as they desire, subject to zoning & environmental restrictions now commonly accepted. The SR debt is ***not directly rent*** (which implies that the land is owned in fee simple by the Crown), although it is quantified by reference to free-market rental values for bare sites. That debt is merely a charge over the site, as rates & land tax or a registered judgment are today.

In that connection, it should be recalled however that, after the Norman Conquest in 1066, ***all feudal land tenure*** in England (whose law was exported to USA & the Commonwealth countries) was effectively a form of lease by some 1500 tenants-in-chief under the Crown, and by their sub-tenants[75]. At all levels of this pyramid "fees" of produce or money had to be paid, or services (such as provision of armed men or repair of infrastructure) supplied. Since Magna Carta in 1215, and especially with the growth of parliamentary democracy & welfare state (giving free rein to selfishness), "fees" have been reduced to money payments, even if only in the form of local rates, and public revenue increasingly derived from a plethora of taxes & imposts. Even then, the Crown retains power to resume and to tax land, to impose town plans (constraining uses) and to sell properties in arrears on their dues. The point is that there has never, under English or Australian law, been "absolute ownership" or "allodial title". Structurally, all holders of land have been under some public duty. Indeed, in Old English the very word "owner" imputed owing or a debt[76].

It is true that site-price will evaporate, **leaving homeowners with the value of their improvements only**, meaning they "lose" the money they have paid to obtain land title within the current system. Those who have slaved to pay off mortgages may feel bitter, however, seen in perspective, many people suffer worse fates, they will not have to pay land price when relocating, and they can't take 'their" land to heaven. To minimize abuse, where a site is mortgaged at the time an SR system is implemented, the mortgagee should be required to pay the SR in proportion to its advance towards the original purchase price. A real loss would be suffered by those who have worked & paid to own land but are now old and will not relocate: these will no longer be able to sell or reverse-mortgage the land and consume the cash. No public compensation will be paid against any such loss. Some temporary sufferings are inevitable when abandoning a vast system built on error. Philosophically, humans cannot own the land, which they did not make; at death they cannot take with them either land or land-price, so the loss is largely delusory, with sense of identity built on a fiction of mortals owning something permanent. The idea of humans owning land was strange to first peoples: they felt (and feel), rather, that humanity belongs to the land.

The **rental paid by tenants** would reflect the landlord's own site revenue obligation (together with the value of improvements to it), which is only fair since the tenant is enjoying the locational advantages of the site, but competition by landlords for tenants would prevent excessive demands. The rent paid by tenants would be the SR + a reasonable return (say 5%) on the value of improvements leased. Most likely SR will <u>reduce current rents</u> since it is payable whether the land is built on or not and whether or not improvements are let to tenants: this forces owners to find tenants or they will lose the site. Owners of vacant land are forced to build & let dwellings, in order to generate income to pay their SR, thereby increasing the supply of rental accommodation and again reducing rents. In contrast, the absence of SR facilitates speculation in land and rewards keeping of sites vacant, so house prices will soar (preventing renters buying homes) and rentals will rise. *"Competitive rents could not permanently be raised to land users"*[77]. Note that, in the short term, where landlords are already contractually entitled to rental and certain outgoings under leases, it would be necessary to legislate that SR be excluded from clauses requiring tenants to pay land taxes or rates in addition to rent until the rental is "reviewed to market" (with "non-reduction" provisions to be invalidated).

9. SR and Government

Knee-jerk reactions to SR are (quite inconsistently) that it is rampant capitalism (seeking to oust or minimize the welfare state), communism (seeking to nationalize the land) or socialism (confiscating & redistributing wealth). In fact, SR is none of these. **SR** rewards effort, promotes wealth creation, enables equality of opportunity and fosters rather than penalizes or humiliates the poor: it is the inspired solution which stands at the apex of, and beyond, all known political & economic organization[78].

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[75] See e.g. R.E. McGarry & HWR Wade *The Law of Real Property* (Steven & Sons, London, 1966) Chapter 2

[76] The word 'owe' is related to the word 'owner'. Both derived from Old English *agen* (past tense *ahte*) 'to possess', but this involved a sense of obligation (as in 'to be possessed by') and hence holding a debt which is repayable. The word 'ought' is also a derivative. The linking sense is quite spiritual: a being who comes from dust and goes to dust is as much possessed by as possesses the things he "owns".

[77] Paul A. Samuelson Economics -- Australian Edition McGraw-Hill 1955, 1967 ed. p.595

[78] *"Communism forgets that life is individual. Capitalism forgets that life is social, and the kingdom of brotherhood is found neither in the thesis of communism nor the antithesis of capitalism but in a higher synthesis. It is found in a higher synthesis that combines the truths of both"* "A Testament of Hope: The Essential Speeches and Writings of Martin Luther King, Jr., p. 250.

SR is **not Communism (Marxism)**: Whilst Marxists believe that capitalists exploit workers, Georgists believe that the basic exploitation is by landlords, who exploit everyone. All that is socialized in an SR economy is the annual rental-value of sites. At the core of SR is personal liberty: there is no central planning of economic tasks, no conscription of labour, no arbitrary resumption of land and no confiscation of private wealth or chattels. Henry George called Karl Marx "the prince of muddleheads"[79]. Subsequently, eventually, even Marx finally saw that surplus profit is transformed into ground rent:

> here lies one of the secrets of the increasing enrichment of landowners, the continuous inflation of their rents, and the constantly growing money-value of their estates along with progress in economic development. Thus they pocket a product of social development created without their help.[80]

Whilst SR encourages private enterprise (by forcing efficient use of sites), it is **not Capitalism** either. The essential (and evil) core feature of Capitalism is that it treats sites as just another form of wealth and refuses to socialize their value. Yet sites were not made by humanity and cannot properly be treated as a form of capital, like a tool or machine. Capitalism lets site-holders pocket the community-created value attaching to sites, to speculate in them and encourages banks to use the resultant bubble-price as security for advances, and bankers & derivative traders in turn manipulate capitalist governments. All this is sheer stupidity & theft motivated by greed. In contrast, SR recognizes sites as a distinct factor in production and compensates the community in respect of exclusive use rights granted, whilst destroying site-price and denying to vampire banks reliance on imprudent securities and to traders any vapid instruments to mystify.

SR is not Socialism, although (like SR) this latter is often perceived as a humanizing of rampant capitalism, largely by protecting the landless who lack bargaining power on wages (which is not a problem in an SR society). Socialism is said to regulate abuses and redistribute wealth, however, there are three problems here. The first is that free enterprise cannot really occur without a level playing field where SR is collected: it is the very absence of SR that enables distortion, unfairness & conflict -- so socialism is "coming in aid" of a needlessly sick society (why organize a diseased State?). The second is that socialism feather-beds selfish bludgers who vote for its perpetuation so as endlessly to plead interventionist self-interest and prosper at expense of others, thereby continually weakening society. The third is that, under socialism, bureaucratic zombies proliferate and entrench themselves in wasteful, ossified, self-serving institutions.

Communism makes a **fetish** out of labour, Capitalism makes a fetish out of capital, Socialists create a fetish out of the State. These three are all crazy, distorting lenses which -- for reasons of selfishness or stupidity -- ignore (even deliberately ignore) the core fundamental issue, to wit the origin & contribution of land & sites, the surplus value (rental) from which properly belongs to the entire community.

Individual life, liberty & property (this last being just application of personal faculties & labour to natural resources) precede the law and government, whose only justification is to preserve them. It is essential that SR be fully practiced and liberty fully observed before any law can take proper shape. **Unless the foundation is right, the edifice must be wrong.** Where the law is perverted by stupidity, greed & false philanthropy and used to redistribute & legalize plunder, rather than preventing injustice reigning, there is no end to petty corruption & pursuit of booty by the unscrupulous[81].

There is a managerial role for the State and for law, <u>to do what individuals cannot do</u>, but "*That government is best which governs least*"[82]. The pretensions of the modern State are excessive; it has become hostage to a matrix of selfish institutions demanding coddling for wealth, privilege and middle-class welfare. Government should not be involved in business and has no role in price control, including manipulation of interest rates: the free market will manage these. However, essential infrastructure (roads, railways, power, communications, water catchments) should be owned by the State and, if need be for efficiency, merely leased, at best available rental but subject to performance stipulations, to private operators selected by tender.

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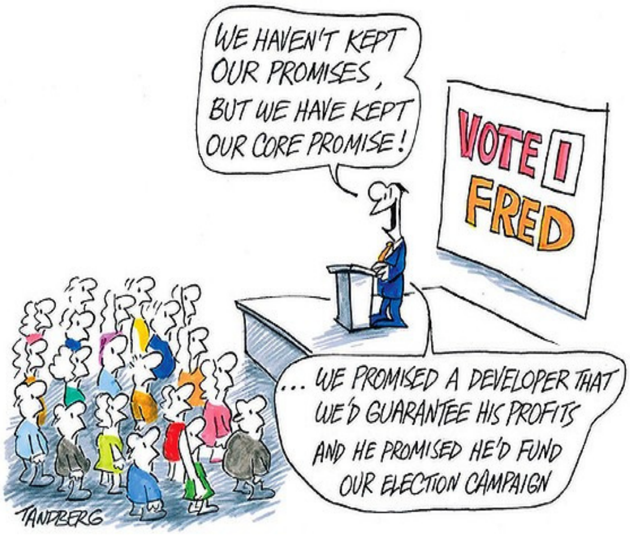
79 Kenneth C. Wenzer, An Anthology of Henry George's Thought, University of Rochester Press (1997) p. 78

80 Chapter 37 in Book 3, as edited by Friedrich Engels in 1894, 11 years after Marx's death.

81 After Frederick Bastiat *The Law* (1850).

82 This aphorism is often attributed to Thomas Jefferson, but was published first by Henry David Thoreau in his essay *Civil Disobedience* (*Resistance to Civil Government*), in 1849

SR strips politicians of power to devise & manipulate taxes, to set tax rates and to deficit-finance. It greatly enhances personal liberty and decentralises power, especially where the SR is collected at local level and remitted inwards to regional & national level at rates negotiated by democratic debate. It empowers local communities and facilitates justice & answerability within villages & suburbs at first instance. It believes that decency & co-operation spring automatically from freedom, knowledge & fairness. In this sense, SR is the total opposite of seeking political solutions in force, statist controls, massive bureaucracies and centralized power. In an atmosphere (as at present) where the discipline of economics is thoroughly corrupted, governments lose sight of their fiduciary duty and attempt to regulate the inherent instability arising from site monopoly (which instability they in fact foster by assisting site monopolies) by manipulating monetary policy. This is largely a tangled mumbo-jumbo which is quite unnecessary where natural laws are allowed to operate.



	Communism	Capitalism	Site Revenue
Hallmarks	regimentation	privilege & poverty	prosperity & liberty
Control	by bureaucracy	by private monopoly	by free & fair enterprise and natural co-operation
Freedom/Security	are in conflict	are in conflict	are harmonised
Personal Wealth	determined by bureaucracy	often 'stolen' by speculators	retained by labour
National Wealth	natural resources disregarded	natural resources stolen from the commonwealth	natural resources are respected & socialized
Land	nationalized; therefore little commitment	over-exploited; due to treatment as a commodity	used as revenue base – protected & nourished
Site Values	are not distinguished due to corruption and benefit the holder	are manipulated, hidden and benefit the holder due to corruption	are independently assessed and transparently public
Land Prices	no land price or private tenure	price increases then deflates in boom-bust cycle	private tenure at nil price
Taxation	is arbitrary & complicated, increasing until economic 'bust'	is arbitrary & complicated, increasing until economic 'bust'	nil
Environment	state-'managed' or abused	generally mistreated	of paramount importance
Resource Revenues	are generally neglected	disappear into a few private pockets	are used to replace taxes on employment

10. Aborigines and Pre-Industrial Lifestyles

When implementing SR, we should beware of imposing cultural hegemonies: the dominant industrial, consumer economy must be generous & tolerant and should not necessarily exclude all other cultures. Within an SR system, wise land-use planning & zoning can protect first (native) peoples or specific groups who wish to live upon land which has exploitative or developmental value in the dominant economy, but still retain it in a primitive or pre-industrial state. Thus, for instance, an Amish or Hare Krishna community which uses no engines could be granted an appropriate zoning (for a reasonable area of land) with their SR set upon a pre-industrial basis.

However, in such instances there must be no hypocrisy. No industrial services or welfare payments should enter or 'assist' those who apply for pre-industrial zoning. Use of the land would have to be consistent with the terms of the privileged zoning granted. For instance, it might be that no tarred roads, motorized vehicles, electricity, telephone, chemical fertilizers or sprays, consumer goods, modern industrial buildings, radios, televisions, educational materials or medicines, tourists and the like, could be legally present in, or traded with, a 'pre-industrial' zone. The inhabitants of such zones would have to self-police the restraints and in default would lose the zoning. No mechanized mining should be permitted within such a zone, and certainly the profits from such should not be shared with the inhabitants. However, it would be fair for part of the profits from national mining to be applied to supply scholarships to children in pre-industrial zones who wish to engage in the mainstream world.

Aborigines are the subject of unproductive political correctness in Australia. They should be treated equally with everyone else[83]. Being treated as basket cases by welfare agencies for decades has only sapped their independence & dignity and deteriorated their potential. Whilst SR takes no objection to grant of collective native title over traditional lands -- indeed, this affords an excellent starting point -- , those granted such title should obtain pre-industrial zoning or else pay the full SR. If an aboriginal community, unwilling to live a traditional lifestyle, failed to pay SR in respect of its lands, it would lose them to someone who would. In the case of pastoral leases affected (pending their termination) by native title, both the lessees and the natives would be obliged to contribute towards SR in proportion to the respective economic advantages (or depasturing & domicile/hunting) allowed.

There should be no **exemption just because Aboriginal forebears "got here first**"; are First Fleeters to be granted some priority over subsequent free settlers, or these over the £10 migrants & Asians of the later waves? Indeed, it is not certain that the Aborigines did "get here first". The "trihybrid" theory is that the main wave of stocky Murrayian aborigines (related to the Japanese Ainu) about 20000BC were preceded, about 40000BC, by a Negrito people out of Africa via Melanesia[84]. These Negrito had spirally tufty hair & short stature, arrived during a prior glaciation and brought no dingoes (which only arrived 6000 years ago). It is said the Negritos occupied the whole continent but the Murrayians (joined later by a third distinctive type, the Carpentarians from southern India) "hunted them down like kangaroos" and ate them as cannibals[85], save for a remnant that was driven into Tasmania (then connected by a land bridge), where the Europeans savagely used them as sex slaves or exterminated them by 1830[86], and into the Cairns rainforest (where they survived until missions absorbed them in the 19th century). In fairness, another analysis[87] scoffs at this as unscientific, pointing to the absence of Negrito bones across Australia and the relative height of the Tasmanian aborigines.

If they wish to avoid braving existence in a modern economy, Aboriginal communities (or anyone for that matter) could apply for pre-industrial zoning, the same as other forms of community. In this way there would be no discrimination either for or against Aborigines and they would be at liberty to recover pride & culture. Aboriginal tenure over extensive tracts of marginal economic land in the deserts and north could be expected to continue indefinitely with little if any SR exposure, even without any protective zoning. Licensing Aborigines to use firearms (rather than traditional weapons) or outboard motors (rather than traditional vessels) for **killing protected fauna** on native title lands & seas, is incongruous and should cease. Aboriginal rights to a management role in National Parks need not be affected. Spot-zoning to protect sacred sites, free of SR charges, should be automatic. Whilst there need be no objection to Aboriginal tenure of 'valuable' sites so long as usage of same was strictly traditional, their retention of valuable economic sites in the broader economy would be subject to the same economic pressures (i.e. payment of SR) as anyone else.

11. The Adequacy of Site Revenue:

Would the quantum of SR be sufficient for a modern state? In answering this, we should bear in mind as background that SR discourages speculation, fostering instead productivity (thereby increasing available real wealth), would reduce prices by their tax-markup, and minimizes both conflict and the need for supporting unproductive individuals (by ending unemployment & unwieldy government). In an SR society, the price of goods & services would be reduced by about 30% and the need for a welfare state & expensive governmental structures would be decimated. When SR is collected instead of taxes, the economy can flourish without artificial restraint & distortion. In other words, there would be more public monies and less need for them.

All taxation is "at the expense of rent", i.e. paying tax reduces money available for paying rent. If all taxes were ditched, citizens could proffer more rent and also would have more to invest productively. Thus, theoretically, quite apart from infrastructure & welfare savings, total SR would at least equal the volume of all present taxation, all interest payments on bank loans towards "site-price" and all speculative "capital gains" & locational profits going into private hands. In reality, citizens are already paying the entire SR, and more, to useless & parasitic landlords & banks. Logically, the economy rests upon private monopoly over sites, so the rental-value of those sites should suffice for public expenditure in administering society. In general terms, "economic rent" (that is, SR) is believed to be about a third of the economy, but neoclassical economics has trivialized both the concept and the amount. Detailed academic studies show similar outcome, with resource rentals constituting extensive and ample sums[88].

83 Consistent with the *Racial Discrimination Act* (Cth, 1975).

84 See generally, Keith Windschuttle & Tim Gillin "The extinction of the Australian Pygmies", Quadrant June 2002

85 C.L. Lack, "Australian Negritos", Journal of the Royal Historical Society of Queensland 1962, p.1050

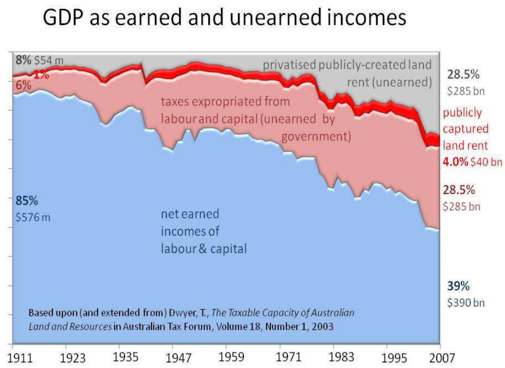
86 George Weber "The Negrito People and the Out-of-Africa Story of the human race" Chapter 52 "The Tasmanians".

87 Michael Westaway and Peter Hiscock "The extinction of rigour: a comment on 'The extinction of the Australian Pygmies' by Keith Windschuttle and Tim Gillin", in Vol.29 Aboriginal History 2005, p.142.

88 See e.g. "The Taxable Capacity of Australian Land and Resources" by Dr. Terry Dwyer in Australian Tax Forum (Volume 18, Number 1, 2003) and at http://www.earthsharing.org.au/wp-content/uploads/dwyer%20tax%20resources.pdf; Professor Mason Gaffney, (2009) "The hidden taxable capacity of land: enough and to spare", International Journal of Social Economics, Vol. 36 Iss: 4, pp.328 - 411

Thus, SR promises an embarrassment of riches. Indeed, this could lead to regular payment of a **Citizen Dividend**, on an equal *per capita* basis. Such payments would be made to all citizens (including children), without a means test. In such fashion, during the 5th century BC ancient Athens distributed to citizens the wealth derived from its silver mines[89].

This graph separates earned incomes from unearned incomes and depicts Australia's gross domestic product descending into an economic depression as a badly-designed tax system chokes off effective demand. Privatized rent alone nears 30% of all income and is now sufficient to replace taxation at all levels of government. If we were to collect it all, there would be no need to tax (or fine) labour and capital for working! At present, taxation only captures 12% of privatized rent[90]. Financially, detailed analysis (derived from Australian Bureau of Statistics figures) of the value (currently some $5tr) of privately held land & buildings, mineral extraction, spectrum licensing, pollution rights, flight paths etc. (some $5tr) indicates that collection of SR would suffice to meet all the needs of modern government[91].



In 2010-11, taxation at all levels of Australian government was $357,917m.[92] and total unimproved site values (ignoring resource rents) was $3,785bn[93]. Current revenue requirements would be met if the SR assessed ended up being at 9.5 cents in the dollar and probably that could be reduced to 5 or 6 cents in the dollar given added efficiencies and income from resource rents under a full SR system. This SR would be in lieu of all taxation. Incidentally, the ABS statistics should be available freely and their immediacy (currently 90 days in arrears) should be improved by requiring estate agents to report by email sale prices immediately deposits are paid.

Ethically the amount of SR which might be collected is irrelevant. If SR is indeed the only proper source for public finance (as reason & equity indicate) then public administration must adapt to that supply. Deficit budgets should be constitutionally forbidden save in emergency: these are always pernicious (laying burdens on generations yet unborn). Under SR, government must "cut its cloth according to its purse", by dividing the available cake according to priorities and limiting expenditure to what is available. Placing the quantum of revenue available beyond political control, and indeed also beyond voter control, by making it simply an objective ramification (flexibly, from time to time) of the free market, avoids a multitude of evils. There can be no pork-barrelling, no populist selfishness, no deficit-financing thieving from future generations, no interference with the inspirations & efficiencies of the free market, no silly discretionary trusts designed to artificially exploit tax brackets, no scampering after tax havens, no insidious income bracket-creep.

> Not only was Henry George right that a tax on land is non-distortionary, but in an equilibrium society... the tax on land raises just enough revenue to finance the (optimally chosen) level of government expenditure[94].

12. Treacherous Academics and Politicians:

SR was a household concept a century ago, but confusion of debate by academics and a burying of the analysis by both self-serving wings of politics has almost erased it from popular awareness. The modern discipline of economics has been deliberately distorted by powerful vested interests so as to protect abuses arising from site monopoly. As a result, "reputable" economists have been bribed & coerced so it is rare for them to traverse Georgist issues. As they cannot reply to the SR analysis, they ignore it; hence the 2007 Global Financial Crisis, which remains far from resolved.

The current confusion of academic economists stems directly from the deliberate perversion of their discipline by powerful 'Robber Barons' in the USA at the end of the 19th century. These set up a string of universities and endowed Chairs of Economics which, with intent to pervert, derailed classical political economy in favour of Neo-Classical Economics ["**NCE**"]. NCE is a form of economics which fears a simple and understandable Political Economy and sets out to destroy the SR debate (so popular under the advocacy of Henry George after 1880) and to obfuscate clear perception as to the unique role played by sites.

89 Herodotus *The Histories* 7.143.3

90 I am indebted, for this graph & analysis, to Bryan Kavanagh, Melbourne, Australia Land Values Research Group http://www.prosper.org.au/2009/01/28/ineffective-demand

91 See Tony O'Brien *Total Resource Rents, Australia* available at http://www.earthsharing.org.au/facts-and-figures/australias-resource-yield-2000/

92 Australian Bureau of Statistics, "Taxation, All Levels of Government"

93 Australian Bureau of Statistics, Catalogue 5204 Table 61

94 Joseph Stiglitz (Economics Nobelist), "The Theory of Local Public Goods," in M. Feldstein and R. Inman, eds., *The Economics of Public Services* (London: MacMillan, 1977), 274-333.

NCE achieved this outcome by ignoring sites as a separate factor in production and instead conflating sites with currency savings, machinery, buildings etc. as **just another form of capital**. NCE has been largely successful in its evil endeavour. For over a century, economists who perceived the truth have been howled down by peer pressure and sacked[95]. Academic economists to this day continually pander to (and are captured by) big financial interests: they teach students and advise government accordingly, perpetuating their own incompetence.

This treacherous, immoral & irrational manipulation of economic thinking by profiteering elites & puppet politicians has had **terrible consequences.** It has fostered private profiteering out of resource extraction and environmental abuse (ignoring responsibility to inter-generational equity). It has forced up home prices relative to income, entrapping families into mortgages and fattening banks. It has prevented folk having access to land, so causing unemployment & welfare-dependency and perpetuating a down-trodden class of the impoverished. It facilitates corruption in governments, brutal dictatorships, massive imbalances in national wealth and territorial tensions (e.g. posturing to control oil reserves).

The SR proposal **threatens vested interests.** These include the 10% who control 90% of the wealth – a control which is almost entirely due to the private pocketing of site values. Also threatened are many politicians, bankers, lawyers, accountants, media proprietors, bureaucrats, social workers and welfare dependents who are unwilling to shift for themselves. Parasitism upon environmental destruction and social disunity is widespread and such parasites have a vested interest in perpetuating it, rendering society a factional sand heap of individuals. Governments have been manipulated to enter unholy alliances against the interests of the public by privatizing public infrastructure. Huge public losses are incurred downstream unless all natural public monopoly infrastructure (such as roads, water & electricity distribution, telecommunication wires) remain owned publicly and only their operation leased for short terms (not exceeding 3 years) to competitive bidders, within strict parameters.

Conservative politicians can be expected to protect their constituency, whose wealth comes from site monopoly. **Socialists,** crippled by factions & self-interested bailiwicks, will happily redistribute everything except the one core thing that should be redistributed – unearned income & increments from monopoly over sites & resources. Sadly, even the **Greens** can't see the wood for the trees: they are too scared & confused to think clearly & act radically, too addicted to socialist redistribution to brave freedom, so they tend to support site monopoly. Unless the voting masses understand SR, they will perceive it only as meaning the loss of all value in "their" land -- and they will not accept that.

The test & evidence of this can be seen in the **deliberate exclusion of the SR analysis from national tax summits** (e.g. that of Bob Hawke in 1985 and from Kevin Rudd's "2020 Summit" in April 2008), from the mainstream media, from school & most university courses, and from the invariable refusal of any expert to argue publicly against it. The 2009 Henry review of Australian taxation went some distance towards endorsing resource rentals but he did not dare speak the clear principle.

Partial collection of SR was a salient theme during the formative years of **ALP politics,** promoted by unionists (not politicians) in the hey-day of Henry George during the 1890's[96]. Indeed its total collection was ALP policy in South Australia until 1905. Taxation of the unimproved value of land was amongst the first federal policies adopted by the ALP in 1900[97]. However, the early ALP was bedevilled by factionalism with protectionists, free traders, single taxers & socialists all jostling for control and the clarity of principle became confused, especially given the need to win votes from a selfish & ignorant constituency. Workers feared that SR would fall heavily on their little lots and that the rich man's large income would escape unscathed: in fact, these fears are what the rich man desires most, for his swollen income arises from site monopoly in the first place. A diversion into socialism became the priority and with this the masses became neutered by welfare state palliatives.

Worker-wavering over the viability of free trade, together with political pandering to workers' fears and the middle class, saw the introduction of "graduated taxes" & "thresholds" and the principle was eroded until in 1964 any reference to it was **removed from the ALP policy** reprint[98], without debate and for reasons that have never been stated. Perversion of the SR principle within the ALP demonstrates one of the great dangers of democracy: that unprincipled individuals will wish to dominate big parties and will tell the masses whatever they wish to hear, not the truth. In all cases those who sold out the ALP were politicians who did not understand the Georgist reform and were stupidly describing rent as a tax. They lacked the intellect to comprehend the argument and were emotionally scared off by the prospect of 'yet another tax' which would destroy their constituents' capital.

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95 See e.g. Professor Mason Gaffney & Fred Harrison *The Corruption of Economics* Shepheard-Walwyn London 1994.

96 See *passim* Verity Burgmann *In our Time*, Allen & Unwin 1985 and Airlie Worral *The New Crusade: Origins, Activities and Influence of the Australian Single Tax Leagues* 1889-1895 M.A. Thesis, Melbourne, 1978.

97 This resolution was reaffirmed at the second Federal Conference, on the motion of delegate E. Holliday (from Queensland) and seconded by the Hon. A.A. Kirkpatrick MLC: see pp.9, 12 of Report.

98 See Clyde Cameron June & July 1984 *Progress.*

Partial or threatened implementation overseas indicates the accuracy of the SR analysis. **Hong Kong** under the British traditionally kept taxes low by collecting rentals on Crown land leases. Since 1982 in **Alaska**, royalties from oil extraction have been used for public purposes (covering 87% of requirement), with any surplus (currently US$2000) distributed as a citizen dividend[99]. From 1957-60 the Danish Justice Party, which advocated SR, held the balance of power in **Denmark**. SR legislation was passed and due to be implemented (albeit collecting only 4% of annual increments) on the basis of new valuations in 1960. Whilst the reform was pending there was a huge reduction in public debt (by 75%), unemployment, inflation, the interest rate and industrial strife. However, at fresh general elections in 1960 a massive scare campaign financed by landowners led to change of government and repeal of the law. Land prices soared and inflation increased from 1% in 1960 to 8.6% in 1964-66[100]. In South Africa towns had choice of rating basis but the 38% that chose unimproved capital value as base saw a greater rate of investment[101] until, in 2004, an ignorant ANC government made all rating on improved basis.

Yet only by inspiring the masses of impoverished, battling, ill-educated people is there much hope of democratic reform being demanded. Unfortunately, battling citizens fear paying more for fossil fuels and fear losing the apparent store of capital comprised in the 'site value' of their home – a value which they have admittedly paid to the previous owner, but which (in reality) they would not miss if they could relocate to other sites without paying site value for them. Thus the environment, the Third World and future generations are sacrificed to perceived self-interest.

Whilst it is the most benign form of government, **the limitations of democracy** can be severe. The currency of politics is self-interest, not altruism or the general good. Modern democracy means ignorant, apathetic voters manipulated by the rentier-controlled media voting for their short-term interest, distortive electoral systems (especially single-seat electorates), and partisan politicians focused on their next term in power rather than serving with selfless principle. At the very least, political parties should be forbidden to fundraise (this fosters corruption), all electoral campaigns should be publicly funded with equal media exposure for each candidate and compulsory public debates, and election must be by quota-preferential proportional voting in multi-seat electorates (the Hare-Clark system, as used for the Australian senate). At present, no answer or salvation is likely to come via politicians. A republic will not redress these limitations and a constitutional monarchy will only do so where the monarch has a veto against irrational legislation and is personally selfless, extensively aware, not materialistic and prepared fearlessly & publicly to advise, guide & warn: qualities singularly lacking under the Westminster system.

By way of example, both as to populist voter selfishness and governmental abuse of taxing powers when adrift from principle, look at the Californian constitutional amendment "**Proposition 13**", adopted in 1978 by popular referendum, at a time when the state government was running a surplus but raising property taxes fast as values rose. This amendment capped any property tax at 1% of assessed value, forbad annual assessments increasing beyond 2% and required no other tax to be created or raised without 2/3rds of the legislature agreeing. Aside from ousting any charge approximating SR and leaving state government no freedom save to impose a mass of petty service charges, these constraints tended to freeze valuations at original purchase-price (favouring the rich and creating unfairness as the bubble inflated), hamstrung revenue-raising, starved funds for essential infrastructure, raised unemployment to 12%, created a massive budget-shortfall and (with capital gains hence revenues evaporating after the GFC) by 2011 scared off investors in state bonds so payment could only be made by IOUs. The new governor Gerry Brown has now been forced to adopt massive spending cuts. None of this instability & unfairness could occur in an SR society, with rational property values (due to absence of speculation & inflation) and revenue set upon independent principles (not by timid or greedy politicians, or by the selfishness of populist voters).

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99 http://www.ncsl.org/default.aspx?tabid=12674

100 Knud Tholstrup Why Put Up with Inflation? Copenhagen, 1961. See also Knud Tholstrup in Good Government (December 1973 issue) and Progress, March 1974 p.3

101 Cord. S.B. (1983) L.V.T. Towns grow faster than other Towns in South Africa. Incentive Taxation Sept. 1983.

13. Money Issues

Knowledge of the truth is essential for meaningful reform. Readers should bear in mind the economic benefits of SR[102]. However, SR alone is not a panacea, only an essential element in the solution. The efficacy of SR can be undone by an unsound money supply. Another essential element, and one which is integrally linked to sites & SR, is the establishment of **sound money**. There are two problems here: **(i)** money has lost any reliable backing and **(ii)** it is being created from thin air, so any value it has is precarious.

(a) Money: Money serves as a measure, a medium of exchange and a store of value. Issuance & establishment of sound money (although not its safekeeping & loaning) is a proper function of government, not of the private sector. Money has a purely representative character, existing not by nature but by law: it derives potency from its legal status not from it material content -- the use of money is in exchange, not in consumption or some inherent worth. It is not essential that money be a commodity intrinsically valuable in itself: indeed money should not be confused with wealth (i.e. products which gratify human desires) as it is often relatively useless in itself and its purpose is not completed save by continuous exchange. Money may be a mere token such as paper note or a seashell, but it is essential that it be reliably exchangeable (without subjection to inflation or deflation) under common observed practice for fixed & known goods, so that the value it represents can be translated into useful commodities of the bearer's choosing. If this is not the case, price structures & wage rates are thrown into disarray and savings are annihilated. Private money, issued by institutions or clubs (including local LETS labour-trading schemes) can enable roguery and disadvantage most people by a confusion of exchange rates, but may work on a local basis where trusted and should be allowed in the name of freedom, although not acceptable for payment to the State.

(b) Definitions of Money: Money is more than just coins & banknotes but must not be confused with credit, as represented by cheques, derivatives and private bills (promises to pay). The definitions vary from country to country. Probably the best is:

- **M0**: The total of all physical currency (coins & banknotes) in circulation, plus accounts at the central bank that can be exchanged for physical currency
- **M1**: M0 +all physical currency held in bank reserves + the amount in demand accounts ("checking" or "current" accounts).
- **M2**: M1 + most savings accounts, money market accounts, retail money market mutual funds, and small denomination time deposits (certificates of deposit of under $100,000).
- **M3**: M2 + all other CDs (large time deposits, institutional money market mutual fund balances), deposits of foreign exchange and repurchase agreements.

(c) Monetary Backing: Historically, weights of precious metals or baskets of commodities, have been used to anchor such exchanges, however it is a superstition propounded by plutocrats that these are necessarily desirable to a bearer. Precious metals, although hard to win & durable and of some industrial use, are environmentally damaging to mine & smelt, heavy and expensive to guard. They do not necessarily stabilize a currency: when Spain imported 400 tonnes of stolen Inca & Mexican silver, its value collapsed, and the 1849 California & 1897 Klondike gold rushes lowered the price of gold considerably.

During the 1920's, this US paper dollar could be exchanged on demand for a silver dollar

It is sometimes suggested that a better guaranteed backing for fiat banknotes would be something common and useful, such as standard unglazed solid fired extruded clay bricks (230 × 110 × 76 mm) with compressive strength at least 50MPa. However, it is sufficient, and indeed preferable, in order to found money's security & usefulness, that government only backs its money with a "promise to receive" it in payment of debts to the State (including SR), rather than with a "promise to pay", whether with gold, bread or bricks. In fact, a government dishonours its currency by promising to redeem it by exchange of anything other than satisfaction of a debt to the State. In addition, a precious metals standard would benefit plutocrats (who hold and can guard it) rather than labourers. Fiat currency (paper banknotes) can nevertheless be hard & stable if its supply is tightly regulated on basis of population per capita. This would be especially so in an SR society with inherent economic stability, not prone to inflation, so if other major causes of inflation were removed (such as reserve banks and fractional reserve lending, then little could impact the stability of money's value.

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102 See section 6 above.

(d) US$ as World Currency: Until 1971 all the world's fiat currencies were exchangeable at various rates for US dollars ["**US$**"] and these could be exchanged for a fixed weight of gold (US$35 per ounce). However, in August 1971 President "Tricky Dick" Nixon was scared of French banks -- flush with US$ spent during the Vietnam war -- demanding exchange for gold at a time when the US was deep in debt. He broke the link between US$ and gold, declaring "We are all Keynesians now" . In 1972 President Nixon guaranteed the security of Saudi Arabia so long as it fixed the world price in US$, which thus became the petrodollar or global reserve currency. From that time, the US$ (and consequently all fiat currencies) was not backed by any real fixed commodity, international trade imbalances ceased to be settled in gold, manufacturing went offshore to emerging economies and the **"playing field" of the market was tilted** against workers in favour of investors & money-manipulators. Since 1971, the US money supply has increased by 1,300%, diluting the purchasing power of dollars but not creating any real new wealth.

(e) Money Creation: To make matters worse, not only did fiat currency lose any real fixed backing, but also both governments (via their reserve banks) and retail banks (via fractional reserve loans) can and do create "**hot cash**" *ex nihilo* – from nothing. Hot cash is not necessarily minted coins or printed banknotes: usually it is simply an electronic credit entered in a ledger. Whilst there is a place for money creation so as to cater for population increase, this power can readily be abused as it injects what appears to be savings from labour & production when in fact there has been none, thereby diluting the existing money in circulation, causing prices to rise and unfairly benefiting those (especially bankers) who get the hot cash first, when folk are tricked into accepting it at full value. A feature of hot cash supply (especially for the US$, as global currency) is its application to speculation in foreign currencies (the **"carry trade"**). Whilst the domestic value of the US$ is steadily inflating, those with access to hot cash (issued at low interest rates) can use it at pre-inflation rates to buy other currencies, (such as yen or AUD$, which are not so prone to deterioration) and to invest in loans or equities (inflating asset bubbles overseas) at a much higher return with the interest expatriated. This exports US inflation and ultimately dilutes the foreign currency. Foreigners whose cash reserves are necessarily in US$ or yen, lose value in their savings.

(f) Fractional Reserve Banking: This practice allows banks to lend (by paper entry) a multiple (some 9x) of real money deposits actually held, the theory being that all the depositors won't want their cash back at the same time. Thus, bank #1 may hold a $100 deposit by A but be able to lend (at interest) $90 to B. B deposits that $90 in bank #2, which then on-loans $81. In this way, general bank lending magnifies money in circulation by some 90%. True, as each borrower B repays his loan, the bank's ledger entry is written down (erasing the created credit), however, the interest paid by B on this phantom money is real income to the bank. Some of that interest is merited, as the bank has supplied structures & services and must pay some dividends to its shareholders, but the remainder is a return for nothing ["**seigniorage**"] which conduces to inflation in the general economy. Thus, this practice allows banks to pocket interest whilst retaining not only the principal but multiples of it.

Fractional reserve banking is an unsound, indeed structurally fraudulent & corrupt, system where depositors' money is nowhere: banks cannot pay withdrawals on a large scale. From time to time this prompts panics and bank runs that can only be calmed by deposit insurance (which would be fully inadequate if pressed) backed by reserve bank guarantees (which are at taxpayer expense, are inflationary and assist moral hazard). *"The creation and lending of fictitious deposits is not a sound method of banking*[103]". Pragmatically, the practice could only now be ended without financial calamity by the reserve bank or treasury first lending trading banks sufficient funds to convert all imaginary deposits into actual deposits. As customer loans are paid down, the bank's own borrowings from the reserve bank would be repaid and that principal destroyed. Thereafter, banks would be limited to lending actual reserves (existing funds held): once money is loaned, neither that money nor any proportion of it is available for further lending. It may be argued that ending fractional reserve banking would constrain desirable credit, but **expansion of the money supply is not a function of banks**.

Whilst in the vein of banks: commercial banking must be stringently separated from investment banking: this was achieved in USA by the **Glass-Steagall legislation** in 1932 but destroyed by President Clinton in 1999[104]. Banks should be required to maintain their own independent deposit insurance, issuance of covered bonds (giving lenders priority over depositors) should be forbidden, and shareholder approval should be required for director & executive salaries. In no instance should a failing bank be bailed out by the public: governments & regulators are not necessarily responsible for such collapses, as improved regulation is often opposed by the industry & shareholders and is democratically unacceptable until the harsh lesson has been learned. It would be better to allow banks to fail & liquidate, with fresh banks to recapitalize under tighter regulation, as occurred during the "Asian financial crisis" of 1997-1998. So long as fractional reserve banking is ended, there is no need for bank shareholders to be liable for calls equating to their initial share capital. In the share markets, **naked short-selling** should be forbidden and institutional lenders of shares should be obliged to require their return to a value at or above that at date of loan.

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103 Robert de Fremery, The Commercial and Financial Chronical, 20 November, 1958

104 Gramm–Leach–Bliley Act, also known as the Financial Services Modernization Act of 1999

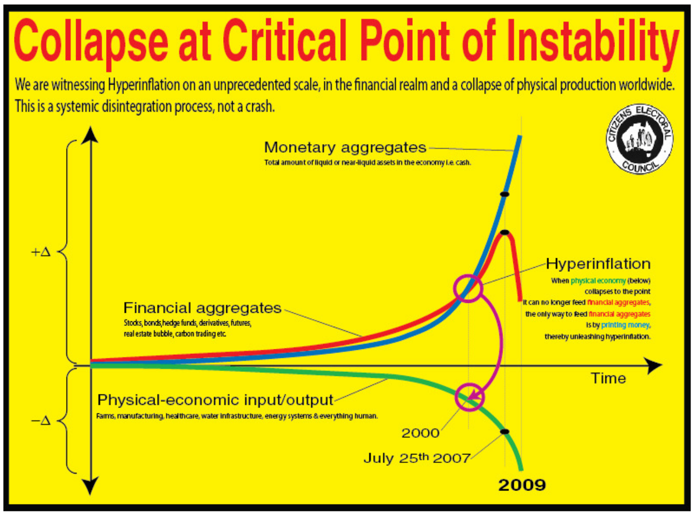
(g) Derivatives: Whilst not integral to the thrust of this essay, a degree of attention should be paid to this aspect, if only to dispel the mystery. Derivatives are bets on possibilities. They can (and originally did) have a healthy origin & purpose. Say an importer or nation wants to budget for wheat prices, which may well fluctuate, it will buy a put option on wheat – this entitles it (at its option, not as an obligation) to buy a set quantity of wheat by a set date in the future at a specific price. The seller of this "put" option – typically a global merchant bank -- will hedge its position (cover all bases) by buying either the physical commodity or a futures "call" contract which (if the call is made) requires some reputable supplier to itself supply wheat, at that date and at that price.

These procedures are all well & good, legitimately diffusing risk. The problem arises where the derivatives are themselves used as objects of gambling and big traders (who would be better employed growing own potatoes, if they could) use their vapid apparent wealth to actually manipulate global prices up or down, often secretly "re-hypothecating' their own clients' entrusted securities and gambling with them as collateral in "synthetic derivative trades". In a complex, finely-timed play, a big trader (or several acting in unison), slyly holding a lot of paper in both calls and puts, can influence real & proper commodity prices by "shorting the market", e.g. by exercising low-priced calls to trick the commodity price down then exercising puts (at a now-higher price) for profit. In this way in 1992 hedge fund trader George Soros, with £1.5bn. in puts, shorted the £ and made a profit of US$1bn. after forcing the British to spend £27bn from reserves and to raise interest rates by 2% to 12% trying to support the £.

Similarly, central banks can keep low the market price of gold & silver, so as to discredit these from being a secure form of wealth compared to their own debauched fiat currency, and so as to perpetuate the myth of the US$ or £ being a safe haven, by massive naked short-selling of the market, thereby causing artificial swings. If called upon to settle, they print money to pay their loss, as few people call for the actual commodity.

Such problems are exacerbated where the subject of the trade is not a simple commodity, but rather some putative asset based on theft, such as (in a non-SR system) land prices, mortgage values, government-set interest rates, or various insurances or reinsurances of these nefarious confections. The five largest US banks hold US$230tr. in derivatives, which is over 2000 times their real asset base[105]. To some extent the bets are hedged and balanced out, but even small mistakes could endanger a major bank and lead to clamouring for taxpayer bailout. In an SR society, the putative value of all these idiot securities would evaporate like mushrooms in sunlight and the hollow shells who manipulate them would be freed to grow own vegetables.

(h) Inflation: Inflation develops from too much money chasing too few goods: prices rise. Unearned income enabled by land speculation or pocketing of locational benefits, together with lease rental reviews at a fixed percentage (i.e. not limited to c.p.i.), are major inflationary factors. This effect is exacerbated by fractional reserve banking and is greatly fueled by governments or reserve banks creating hot cash. Inflation dilutes the value & purchasing power of currency, forcing up prices (both domestic and imported), spurring wage demands, making fixed incomes unviable, lowering living standards and destroying confidence in fiat currency. It can annihilate the value of savings: 98% of purchasing power is gone from the 1913 $US. After 150 years at 3% inflation, it would cost some $85 to buy what $1 does today; at 4%, it would cost $360. Since abandonment of the gold standard in 1971, the US$ has inflated (and many prices but not food or oil) have risen) on average 4.4% p.a.



Critical instability supervenes when the amount of cash or cash equivalents (bonds etc.) soars but real physical production drops

Governments, followed by bankers, benefit most of all from inflating the currency, as they can spend the hot money, or pay off their debts, or engage in pork-barrelling to facilitate re-election of politicians, at full current value: it takes months & years for their action to push up commodity prices and dilute the savings of the populace. Inflationary action by governments is positively nefarious, not least because it destabilizes self-reliant personal saving & planning and fosters dependence on government. If the rate of inflation destroys faith in fiat currency, people seek security in owning commodities and **hyperinflation** sets in. Whilst inflation is a monetary phenomenon, hyperinflation is political as it causes & requires a fundamental collapse in a nation's political economy. Land & share prices can fall whilst consumer prices rise. Prices for essential commodities can skyrocket: during the French Revolution, in post-WW1 Weimar Germany or modern Zimbabwe it took wheelbarrow loads of banknotes at face value of trillions, to buy a loaf of bread.

105 US Comptroller of Currency http://www.occ.treas.gov/topics/capital-markets/financial-markets/trading/derivatives/dq411.pdf

(i) Recession & Depression: As various evil practices create inflation, so prices rise and folk buy less-- a trend which is exacerbated since consumers continually wait for tomorrow when prices will be even lower -- causing lay-off of workers. At this stage, prices wages & demand can readjust such that there is a recovery, but the down spiral can worsen from a mild recession to a major depression. Unemployed workers, during a period of lay-off, are in a poor position to demand higher wages and so, with income crippled, they default on their mortgages or find it hard to borrow more, causing foreclosure, firesales and falling prices for real estate (and for shares, especially if margin calls are made). Bank lending (on the reducing securities) will be curtailed, further constraining business expansion that might otherwise turn the tide. Indeed, bank losses upon foreclosure can turn their balance sheets negative, whereupon there is demand for public bailouts lest "banks fail". Bailouts can rarely be funded by taxation, as current Governments stupidly tax profit employment & turnover and so their revenues shrink when economic activity is evaporating. Consequently, such bail-outs can only be funded by governments borrowing (usually overseas) or risking hyper-inflation by monetizing the debt (printing hot cash). The important thing to note is that none of this nonsense could occur in an SR society, where site price cannot capitalize to form an illusory bank security, where governments can only obtain SR as their income and are limited to that fund, and where prices & wages are in natural harmony because workers are always free to withdraw their labour and live on marginal sites.

(j) Growth: Despite Earth's population steadily increasing whilst its raw resources are limited, "economic growth" is still the prime thrust & desire of every politician. From a bankster's point of view, only with more growth (in production & consumption) & demand for credit can the money bubble keep expanding, since borrowings generate fees, interest payments, investment, employment and demand. Right now, growth is stalling because incomes are inadequate both to pay prices asked and to service existing debt. This stall leads to collapse of asset prices and loss of banks' securities. However, more important than this shallow cause for collapse is the sustainability of perpetual economic growth itself. True, such growth may be in services not goods, so that consumption of commodities or pollution of atmosphere may be small. However, how many services do we need? How fulfilling is modern life on the treadmill of waste, consumption & feverish speculation? Perhaps what is needed is not growth at all, but sustainability: the living of decentralized, self-managed lives without high consumption of commodities, without much need for services, but with great richness of time, knowledge, art & spirit.

(k) Role of Reserve Banks: However, stupid modern governments, operating under this artificially unstable system where site monopoly is the dominant norm, seek sneakily to adopt the huge clumsy mechanism of **Keynesian theory** so as to minimize or eradicate the lag between price rises caused by inflation and the ensuing wage demands. They delegate money-creation power to nominally independent Reserve Banks[106], which are charged to minimize inflation and maximize employment. In 1913 the US Congress delegated[107] money-creation power to the Federal Reserve Bank ["**Fed**"]. Reserve banks are empowered to create hot cash and are immune from concern about profits or losses. They attempt to manipulate & rectify perceived economic imbalances by injecting or withdrawing liquidity. This activity ["**monetary policy**"] aims to buy & sell government bonds ["**Treasuries**"], or to make loans to trading banks at various rates, so as to raise or lower marketplace interest rates by effectively sucking up or releasing cash (liquidity), thereby making money for loans alternatively scarce or plentiful and hence stimulating expansion, employment & prices or (alternatively) dampening them lest they become "overheated" (in that prices are too high for workers to meet so wage claims soar).

Under the current perceived wisdom, **if inflation appears to loom** and wages might become insufficient for livelihood & servicing of mortgages, a reserve bank sells bonds cheaply, thereby soaking up available funds and driving up general interest rates as other investments are forced to compete against the now-apparently-high-yielding bonds (earning large fixed interest returns on a cheap outlay), thus starving credit, constraining borrowing for speculative purposes and inducing unemployment until the level of transactions & prices reduces. Ironically, whilst initially non-saver citizens welcome lower interest rates, if they fail to borrow, invest & produce (for a variety of complex reasons), or if they capitalize rather than employ or are temped to mal-invest, then the lower rates may fail to spark recovery and instead perversely be accompanied by stall into depressive cycle. **Obversely,** by injecting cash into economies (e.g. via cheap loans to trading banks and by buying bonds, especially at excessive prices), reserve banks attempt to stimulate credit, expansion & employment. If a reserve bank "buys" bonds, it just inserts a larger credit in the government's account balance, such that "hey presto" the government can pay its employees, wage wars and the like (but at a price, which is inflation).

Reserve banks therefore prevent the free market speaking for itself. Reserve banks are policy tools, adopted by governments which are too stupid or scared to enable stable markets (by practicing SR), which send false signals and fabricate confusion.

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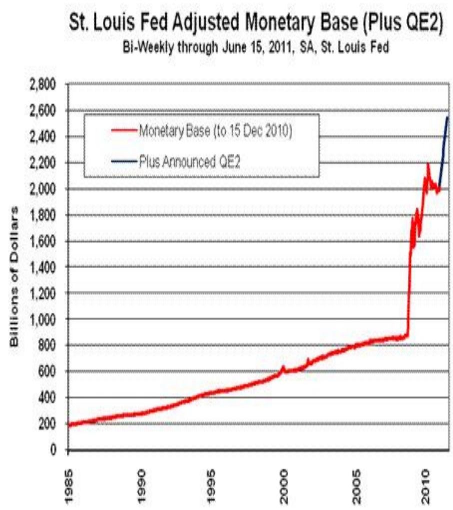
106 Such as the US Federal Reserve (created by the *Federal Reserve Ac*t, 1913)
107 Federal Reserve Act, 1913

The allied Keynesian concept of "**fiscal policy**" is that governments can simply inject money (e.g. by tax cuts, transitory handouts, public works & job creation), in order to overcome a recession. Capital assets purchased with the injections (such as improved school buildings) do not necessarily reflect real demand and tend to induce idle capacity. "Make work" schemes may be relatively useless & expensive to administer, or even foolish & hasty: probably thousands of men died of silicosis in the Hawks Nest Tunnel Disaster during Roosevelt's Tennessee Valley waterworks. Fiscal policy did work to some extent in 1933-1939 -- largely because WW2 eventually generated so much production & employment -- but only some 1% of GDP was injected, not 15% as in USA now. Such interventionary antics invariably make messes or are largely ineffective: they are unnecessary in an SR society, where natural laws apply, profiteering from sites is impossible and so a natural harmony pertains. In fact, the only healthy approach is for the community (via government) to allow & trust the free market and let mal-investments (even banks) fail, rather than over-regulate & tinker with symptoms. However, politicians & bureaucrats are addicted to Keynesianism because it gives them unregulated power to appear useful by printing & disbursing hot cash, and to make sure they and their mates get their snouts in the trough first.

(l) Monetizing: Monetizing is selling something that is worthless. There can come a time when (due perhaps to wars, bloated bureaucracies or toadying welfare) a government is so in debt (especially to its bondholders) and its economy so depressed (hence incapable of sustaining sufficient taxation) that no investors come forward with "real" money to buy its bonds. How to sell them, to meet redemption obligations on old bonds and to pay public servants & military? The answer is: to monetize the debt by printing hot cash! At such a time, the government bond market is worse than a Ponzi scheme: not only reliant upon new bond sales to meet redemptions due on old ones, but having to get mates to pay for those new sales by using hot cash! At government level, monetizing is a form of trickery, and a knavish one at that when aimed at "serving Wall Street not Main Street" by preserving the wealth & power of elites. The trick is worked by a reserve bank itself buying & selling government bonds by using mere paper entries, not real money gathered via taxes. If the government redeems those bonds then that credit is reduced, but if monetization is in force, such redemption is unlikely (save by further monetization).

Monetization is by definition inflationary: it dilutes the value of existing money, debases the currency, and goes beyond confecting low or even zero interest rates: it punishes savers and forces them to spend by steadily diminishing the value of their savings. The logical conclusion of this process is the elimination, by zombie bankers & politicians, of cash from circulation, thereby facilitating tyranny under which citizens can only buy & sell by wearing or bearing the "mark of the beast" -- some sort of barcode perhaps.

(m) Quantitative Easing ["QE"] is similar to monetization: it artificially inflates the money supply except government bonds may not be involved. QE injections could be funded by borrowings (which have to be repaid and burden future citizens) or by increased taxes, however usually if things are so bad that QE is required, interest rates already approximate zero and lenders are either unavailable or want interest paid in real money. At such a time there is nothing else governments or reserve banks can do to sugar-hit a depressed economy or to raise taxes. Under QE, reserve banks may create hot cash, or make book entries, and advance the 'wealth' via cheap loans to retail banks & institutional investors, or buy their worthless bank bonds at high price, or purchase their embarrassing "toxic" assets (usually worthless mortgages secured against asset price bubbles and various derivatives or insurance obligations annexed to same). Thus, gloriously swollen with hot cash largesse, these trading banksters can in turn run the rest of the round robin: they scratch the reserve bank's back by buying government bonds (thereby making other investments unattractive and keeping interest & linked mortgage rates low lest the plebeians revolt).



Toxic assets 'purchased' in this way are then placed at full notional value in the central bank's books, so that its asset register appears huge when in fact it is empty save for a pile of pretentious paper. This results in a balance-sheet problem, where the real (not book) value of private & public assets does not match the debts. The toxic assets cannot be sold at any price without disclosing the pretence and creating political damage. Such activity transfers private debt to the public and fosters moral hazard (risk-taking). It is sick crony capitalism when a political system supports banksters & traders to pocket the profits but foists the risk on the taxpayer. All a lot of queer sick dog-eat-dog fun & games that no-one would need to bother trying in an SR society!

(n) Day of Reckoning: As the cancer of unrepayable debt grew, credit froze. Debt riddles economies, burdening balance sheets & decision-making and ultimately being unrecoverable because individuals can't be worse than bankrupted, revenues taxes & public spending shrink, and asset-values just are not there, especially amidst a down-spiral of widespread firesales. At the time of writing, the credit-driven steam is gradually coming out of asset prices and the speculative buddle is deflating, weakening bank security & balance sheets. Various global cash injections by reserve banks, especially by the Fed, have removed many toxic assets off frightened banks' loan books, but they continue to sit on huge non-performing loans. The injections have given banks hot cash to buy government bonds, thereby meeting regulators' requirements designed to keep bond prices high & yields down, so that the government can better service its debts and mortgagors (whose interest rates are linked to the bond yield) are happy, or at least remain quiescent, rather than revolt. The hot cash also enables banks & institutions to speculate in share prices (which have inflated without real foundation), to engage in the carry trade (aka ripping off the emerging world), and to facilitate fresh share issues (to suckers). Perhaps unexpectedly, little of the hot cash has been on-loaned by US or European banks, rather being held by retail banks as ballast, so it has not yet trickled through via loans to the public (itself reluctant to borrow more). There has been little real stimulus to local businesses, because (against a background of diminishing asset prices) recipient banks have been risk-averse.

Thus, the inflationary effects have not yet hit the broader market: when they do, expect hyperinflation. Sooner or later the ME injections are bound to have inflationary effects, especially when these hoarded funds are on-loaned by the banks and are then re-deposited by borrowers, with the re-deposits being magnified x 10 by the fractional reserve banking system, leading to a massive credit expansion and application of new loans to speculative mal-investments (which will in turn burst or at most supply idle capacity). When inventory reserves are depleted & needs are strong, inflation is likely to commence in earnest, especially in those countries (such as USA) which are in debt and whose currencies (consequently) are weakening, for these will find it difficult to sell bonds. The Fed will be unable to constrain inflation by taxing or by selling bonds to soak up liquidity, because the struggling economy will not stand the former and the latter will lower bond prices and drive up interest rates. We are in unchartered territory; within a few years, the chickens will come home to roost. There will be a delay until this time arrives, since at present high unemployment is dampening wage pressures, consumer demand is low, inventories are not depleted and idle capacity is keeping most commodity prices down.

Global capital is finding few places to invest for a reliable and superior return. It is fleeing to the bond markets of a few countries perceived as safe havens (including USA, UK and Australia), whose borrowing costs are low at <1.5% and whose borrowings consequently escalate. Any shock to these bond markets (such as sovereign debt crisis, US credit downgrade or rising interest rates enticing investment elsewhere) will see bond values fall, yields rise, foreclosures & firesales abound amidst crashing prices, and so further torpedo the banks' asset ledgers and at a time when depressed economies cannot afford taxpayer bailouts. Eventually there will be chaotic death throes; global capital will find nowhere to go and will stand impotently worthless, naked as 'the Emperor with no clothes'.

(o) In conclusion, as regards money issues, it is imperative when implementing SR that:

- **(a)** reserve banks be ditched forthwith and absolutely[108] – the free market will perform all necessary balancing functions and government Treasury can issue currency which (alone) is acceptable to pay public debt;
- **(b)** government money not be legally exclusive, allowing any forms of local money or institutional bonds to gain public trust and commercial exchangeability;
- **(c)** trading and investment banks be rigidly separated and the former maintain & pay for their own deposit insurance;
- **(d)** trading banks be limited to lending say 90% of funds actually held on deposit, with no ability to create credit by fractional reserve lending.

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108 See Ron Paul *End the Fed*, Grand Central Publishing, 2009

14. Global Financial Crisis

The GFC, commencing in mid-2008, was sparked by collapse in the (artificial, bubble) value of assets (especially mortgages and derivatives based on them) held by major financial institutions, causing inter-bank mistrust & credit-refusal and forcing injection of public funds to prop them up. It should be borne in mind continually that, however much human weakness & greed is involved, **the GFC has one simple basis -- site monopoly**. The GFC could never have occurred in a SR society, where private profiteering & speculation in sites is impossible. Whilst, absent SR, there have been regular boom-bust cycles for centuries, in this instance unrestrained greed, easy credit and the interlinking of institutions both domestic & foreign, produced a major crisis.

Caught in -- and driving -- this mad speculation in site monopoly, banks lend money which is secured against meaningless, expanding-bubble values. Indeed, in the USA "subprime" mortgages were common, with 100% of the current bubble-value being loaned (even to people with dubious income) in the expectation the bubble would constantly expand. Worse, both these traditional mortgages and the subprime mortgages were "securitized" (bundled together) by lenders into mortgage-backed securities ["**MBS**"], given dodgy credit ratings and on-sold to trusting investors ["muppets"]. As an undercurrent of this, insurers of these mortgages securitized & on-sold their insurance rights (to premiums) & obligations as collateral debt obligations ["**CDO's**"] .

The securitization of mortgages diversified their tenure and allowed lenders to obtain fresh liquidity to lend again. This turbo-charged both lending and borrowing, encouraging "sub-prime" zero-doc loans to no-hopers and mortgage reinsurance, with increasing demand-side (especially in USA, where mortgage payments are a tax deduction) driving up property prices and lowering interest rates. The proportionate value within sale prices of land (as distinct from improvements) rose to over 50-70% in USA (now down to about 35%) and to over 70% in Australia (where it remains).

The reality was (and is) that no "real value" backs such inflated property prices, which get way out of kilter with incomes and the price of commodities. Inevitably, the **bubble was pricked**, initially in the US residential real estate sector. As low-paid workers struggled to pay their mortgages then defaulted, so bank foreclosures & fire-sales resulted and residential land prices collapsed. A recessive spiral set in as unemployment grew, demand for goods & services declined and production followed suit. Institutions, not least banks, found that their MBS & CDOs were worthless "toxic assets". Some collapsed and others were saved by a massive injection of public funds via monetary easing. This desperate action was a frightening underwriting of moral hazard by a government, captive to vested interests, breaching fiduciary duty and sacrificing its "Main Street" citizenry to the "Wall Street" financial elite. Sadly, President Obama (who promised such hope) followed President Bush #41 in pandering to Wall Street, failing to reinstitute Glass-Steagall and to let bad banks collapse. This step is the ultimate in socializing (making taxpayers pay) private debt. In the USA, taxes (or more likely, ME) are given to banks so they can foreclose on defaulters and hold houses empty: millions of homes have been abandoned & vandalized whilst their erstwhile inhabitants live in cars or camp on public land.

Busts tend to be self-correcting, as lower demand & lower asset prices are accompanied by lower interest-rates: entrepreneurs are thus able to borrow cheaply and gradually reinvigorate the economy. However, the current global setback is unusual, in that interest rates in the major western welfare states are already near zero whilst demand for loans (especially via bonds to finance sovereign debt) is increasingly strong. Thus, in most places, interest rates both cannot fall and are bound to be pushed up. Thus, there will be a slump with tight credit and high interest rates, such that governments will be unable to find buyers for their bonds. This will force reserve banks to print enormous amounts of cash to fund government obligations. The resultant inflation will see consumer prices (food, fuel) soar whilst consumer income is low amidst widespread unemployment. Hungry, angry people make for a volatile mix.

There is no real basis for a sustained recovery and things could get worse in a flash. Governments are desperate to keep asset values high so as to facilitate balancing of banks' books, since banks' loans are secured against these bubble prices. Land prices and share markets have been propped up by artificial cash and by the speculative investments of "carry trade" borrowers of currencies at low interest rates. Rather incredibly, the US$ is perceived as a safe port and remains relatively strong. If it rallies further (for instance if a minor sovereign debt crisis spooks flight from risky assets), "carry trade" borrowers who have applied their cheap US$ loans to buying foreign bonds & equities may panic and sell them (so as to be able to repay), thereby inducing a cycle of equity falls, margin calls, mortgage defaults, asset price collapse -- i.e. sparking a general global deleveraging. Where the US$ is stronger, perhaps due to mindless flight or to downgrading of European countries' credit ratings weakening the € and temporarily buttressing US$ hegemony, the prices of commodities (when internationally priced in US$) will remain relatively buoyant even against a background of diminishing Chinese demand (as its foreign markets evaporate and its own credit supply tightens).

The situation is potentially explosive. The global financial system was always unsound, based on debt (which evaporates with bankruptcy) and unenforceable vague promises to pay, all secured against bubble values that were nothing more than theft. It now stands clear as the mother of all Ponzi schemes which continues to kick on in a heart-lung machine pedalled by reserve banks pumping in hot cash. At present, the global economy is experiencing not so much "recovery" as an artificial high, with the ME-hungover revellers getting temporary fixes from varying injections of government methedrine. Sooner or later, hyperinflation then collapse in confidence will threaten all fiat currencies ["**GFC2**"].

The global economy does not have an inventory, liquidity or interest rate problem: it has a debt problem. With public debt of at least 100% GDP across most OECD countries, it is a struggle to meet interest payments, credit is tight and debt suffocates growth which in turn constricts tax revenues. Adding more credit & debt is a threat not a solution. Governments & reserve banks must realize that, if they remain addicted to non-SR financing systems and using theft (in the form of land prices) as security, there must come a time when interest burdens render additional debt unproductive. At such a time the economy must be allowed to contract and over-leveraged businesses (including banks) must be allowed to fail, without taxpayers having any exposure.

However, even against a background of rising energy costs, perversion of priorities by careerist politicians, blinkered academics, selfish lobbyists & ignorant voters ensures that productivity is crippled and revenues are siphoned off to unproductive zombies, especially in the military, finance, welfare & education industries. All governments can do is 'print' hot cash which is loaned to banks cheaply so these can buy bonds, thereby appearing to extend the solvency of both (but at the expense of inflation). The can is being kicked down the road a bit. A time of reckoning must come.

GFC2 could be triggered by the collapse of the European bond market (a failure to attract investors), an event closely linked to the assets of US banks but less likely in USA where the Fed can continually monetize bond refinances. However, it might be triggered by a natural disaster in a single key country (say a massive earthquake or climate-change induced starvation across USA), or by a geopolitical event (such as fresh war in the Middle East interdicting fuel supplies), or by a contagious loss of confidence between banks freezing inter-bank loans, or by a creeping combination of many factors (such as unemployment, bankruptcy & inflation of food, fuel & shelter prices until riots & martial law eventuate). In that day paper will not be currency, or even gold & silver, but rather food & water. Equity prices will collapse as the worthlessness of non-dividend stocks become apparent and sales are forced to pay debts, especially where their holders are leveraged & subject to margin calls.

GFC2 won't be a minor event like GFC1, capable of being apparently conjured away by puppet magicians, because governments won't have ability to tax, borrow or inflate the currency. Many symptoms will accompany the collapse: hyperinflation, loss of savings, inability of governments to pay public servants, breakdown of infrastructure, collapse of food production & distribution systems, hunger & riot, thieving vigilante gangs, application of martial law, civil war, breakup of the EU, jingoistic military adventures to cohere some discipline. Already in the USA, where civil liberties have been much constrained since 9/11, the new *National Defense Authorization Act* enables, without usual legal protections, warrantless searches, indefinite detention, immunity from judicial review, monitoring of citizens, and even governmental assassination. Just how far this could or will be taken, remains to be seen.

15. International Checklist

So as to "earth" the assertions in this essay (regarding the evils of unrequited site monopoly and the need for SR), let us look at the current situation in various countries. Regard should be had not only to land price bubbles (with the ensuing instability of mortgages over same and derivatives based on those mortgages) and to the social & environmental evils resulting from rich-poor gap, boom-bust economy and irresponsible exploitation of raw resources, but also to the **pathological elites** manipulating all this. These elites are the corporate cartels & financial oligarchs who control media, political processes, politicians & legal systems and conscript taxpayers into bailouts. In doing so, they have destroyed traditional shared values, trust & co-operation and the freedom of markets to reflect true prices. Those elites would be brought to heel at one blow by adoption of SR, sound money and the true democracy traversed in this essay.

(a) USA: With its vast natural wealth and manufacturing ability, the USA become powerhouse to the world economy during the century before WW2. The UK lost massive wealth during WW1, borrowing heavily, and the US$ became the global currency. This enabled its industrialists to set up production in developing countries, leading to deterioration of manufacturing & loss of jobs at home, reliance on foreigners buying US bonds & cheap imports, and a trade deficit (currently some US$790bn., US$312bn. of it with China). During the 1990s, excessive optimism aided by hot cash from the Yen carry trade fueled the dotcom bubble that burst in 2000, threatening a recession which was countered by Fed policy of cheap interest rates. The low tax regimes of Presidents Reagan & Bush #41, and President Clinton ending the separation of merchant (investment-making) & trading (deposit-taking) banks, facilitated speculative investment. The flow of easy loans bid up asset prices unrelated to fundamentals (earnings), the rich grew richer and banks compromised their ability to repay depositors.

From 1972 the USA steadily went on holiday and lived on its savings. Domestically, easy credit then fostered <u>speculation in asset prices, especially land</u> (house prices doubled), until in 2008 the GFC bust threatened bank stability. Under QE1 (from March 2009) & QE2 (from November 2010) the Fed used hot cash (US$1.75tr. & US$600bn respectively) to buy up toxic assets, lest banks fail, and lent hot cash at easy rates to institutional investors who then gambled with it on the share & commodity markets, driving up prices and creating instability. The US Fed has at present ceased QE in the form of purchasing toxic assets from banks, but instead until June 2012 is selling US$400bn of short term bonds (to folk fleeing the euro) and buying (at top price from lucky institutional investors)

US$400bn of long term (6-30 year) bonds instead. This artifice keeps up long-term buying demand, so yields remain low -- which is good for businesses & homeowners (whose debts are linked to bond yields), so keeping the plebeians quiet. If the price of US bonds falls, in the event (say) it is recognized as a sick & unreliable borrower, then the Fed's balance sheet will worsen, forcing it to print more cash and so augment inflation. - a money system that's infiltrated the entire economy - that unsound money leads to economic and monetary instability.

For two decades US industry has been increasingly unable to compete with Chinese & Indian imports, partially due to excessive US management costs but largely due to low labour & environmental standards in those countries. Consequently, the US balance of payments & current account deficit have been worsening, swollen by wars, Bush #41's tax cuts and pricey oil. This has been managed by the Fed selling Treasuries to Asians and oil-rich Arabs & Russians. The only reason the US economy still breathes is that bond-buyers are addicted to the viability of the US$ -- if this collapses, their chance evaporates of recovering valuable redemption on earlier purchases of Treasuries.

Currently in the USA the sub-prime crisis has collapsed residential real estate prices and economic downturn, coupled with inability to raise refinance, threatens to do likewise with commercial real estate. Investors (especially institutions fueled with QE hot cash) have therefore pushed their cash into gambling with equities (shares), and the price of these has soared to way above any rational basis. Many investors fear an imminent major crash and are buying short-term Treasury bills instead, even at negative interest rates. Institutions are investing in T-bills rather than cash, and continually churning these investments, merely because doing so creates brokerage fees. The bubble has not yet been pricked in the US commercial sector, which is increasingly exposed to refinancing of its 5-10 year mortgages (US$530bn due in 2010 with only 30% qualifying) at a time when vacancies are soaring, banks 'delay & pray' & won't lend, and the MBS market for securitized commercial mortgages has imploded. In parallel, "honeymoon rates" on widespread popular "Alt-A" residential mortgages are resetting at higher rates. Whilst Fed intervention has temporarily spiked the moribund patient back into life, an even worse repeat of the mid-2008 crash is imminent amidst increased need for national borrowing, forced by the stimulus costs, and cyclical downturn reducing tax income (on earnings & turnover), all at a time of increased welfare demand in a climate where domestic & foreign funds are unavailable.

Some US$7.6tr in government bonds are due and must be refinanced in 2012, ignoring money required for budget deficits. Interest rates will soar in countries investors do not trust. Whilst the USA can print dollars and is still perceived as safe, its debt (US$15.9tr.) to GDP ratio is now 103% and so that perception may evaporate quickly. The Fed no doubt plans to try to end cash injection and to soak up cash by taxation or by attractive sales of Treasuries before full employment is reached, so as to retain a pool of unemployed and thus keep down wages (the main driver of inflationary demands). However, these processes may not work in the USA, where competitiveness & demand are low, where there is little ability to pay tax and where investors are increasingly suspicious of buying Treasuries because looming inflation means redemption using watered-down currency (i.e. a steep drop in their value). With international stock markets jittery & volatile (reflecting low interest rates, speculation and gambling on the next ME rather than fundamental earnings) and with commodities similarly variable, cashed-up investors tend to flee to the perceived safety of US bonds, even although their yield approximates nil. Since 2000 foreign buyers have taken 80% of US Treasuries (and now own half its national debt), but are now increasingly loathe to do so. This forces the Fed to buy the bonds and has led tame regulators to require that banks do so. The US debt of US$15tr currently equates to its GDP. The US is the largest Ponzi scheme in the world: if it can't sell Treasuries to redeem earlier issues of Treasuries, it will have a "sovereign debt crisis" and be effectively bankrupt. Precious metals are likely to be remonetized and their values will soar.

In May 2012 some 13m. Americans are officially unemployed, with a similar number underemployed, the official unemployment rate is 8.2% (12m.) but 11% is more likely (and double that to 22% -- 23m. -- if people who have ceased looking are counted -- 3% below the Great Depression), wages are stagnant and pay cuts are being imposed. Over 43m. Americans live below the poverty line and some 3m. are homeless. 15% of the population is now below the poverty line. Over 1.5m. non-business bankruptcies were filed in 2010. More than 2m. homes are in foreclosure and 11m. are "under water", with zero homeowner equity. Since 2007 average home equity has reduced from 61% to 38%[109]. Public infrastructure is crumbling. The entire edifice of the US financial markets is structured on massive overseas borrowing and the inflated value of US real estate. It is as stable as a sandcastle built near the crashing waves on a beach. The US has ceased to have a monetary system built on any rational foundation: it has become a **credit system based on faith in its government**.

109 http://wallstcheatsheet.com/stocks/average-american-homeowner-now-has-this-percent-of-home-equity.html/

The same situation applies across the globe, in the UK, Europe and in Australia (where per capita borrowing actually exceeds that in the US). Governments in all these countries are panic-stricken at the prospect of land prices collapsing, taking down banks whose securities have become nugatory, so they blindly struggle and breach fiduciary duty by positively fostering (rather than preventing) the great harlot of site monopoly.

US government spending is US$3.63tr. p.a., of which only US$2.36tr. is collected by taxation and the rest is borrowed (over US$1tr. a year, 60%+ of it via ME from the Fed). The US budget deficit in the 2012 financial year is over US$1.3tr. p.a. The US national debt in 2012 is increasing by US$400bn per day and is now US$15.9tr., which is 103% of US GDP and exceeds total US outlay on all US wars. Of this US$15.9tr. some $7.6tr. must be refinanced in the next year. The USA also has some US$119tr. in unfunded future liabilities (social security, medicare). There would be a lot of angry people if retirement savings were eroded by inflation to zilch and if promised pensions were unpaid.

Since early 2009, in several tranches, the Fed has used QE to buy up Treasuries and improve their price, thereby keeping yields low, but – unless it succeeds in stimulating the economy, which it won't -- this trick can only work temporarily. QE is highly inflationary, making foreign investors leary about the real value of the principal they will receive at redemption. Eventually, to borrow cash, the US will have to choose between risking hyperinflation and allowing Treasuries to issue or trade at lower prices & higher yields (making them harder to service): this will also severely impact on domestic borrowers, whose mortgage rates are often linked to Treasury yields (artificially, some 1.8% in USA at present on 10-year bonds, when the usual average is 6.5%).

As the US struggles with financial instability and as its housing starts stall & costs rise, currency investors are turning to more stable -- if lower-yielding -- currencies such as the yen & yuan, making it even harder for the US to borrow. Some middle eastern countries have long demanded that oil be priced in euros, not US$. In mid-June 2009 the BRICS countries at Yekaterinburg called for a "more diversified" monetary system to reduce dependency on the US$ as a global currency and these now trade between themselves (as do China & Japan) without using the US$ as exchange rate. Iran is now bartering oil with India and China, sidestepping the US$. The US produces 5.3m barrels of oil a day and imports 12m: it will suffer a great shock if it cannot pay for these in US$ and has to find gold, yen or roubles (which it cannot do due to its uncompetitive industry).

A collapse of the US$ would have global consequences, ruining 2/3rds (US$1.6tr) of China's capital reserves, decimating global trade and enabling holders of yen, yuan & euros to buy up US infrastructure and suck its juices at leisure, like a wasp eating a spider sealed alive in a mud cocoon. The imminent danger is that a crestfallen proud US, desperate with 30% unemployment, its citizenry frantic with widespread hunger, its big government juggernaut imposing food rationing & martial law and stirring patriotic fervour to disguise its prioritizing of Wall Street above its own populace, will embark on endgame military adventures, especially ones designed to secure oil supplies from the Middle East.

(b) CHINA: China is a command economy with the bulk of land & natural resources vested in the State, which has good reserves of gold & foreign currencies (some US$3.2tr) and so appears to have potential power in the short term to engineer a soft landing by staving off monetary inflation, unemployment & social unrest by massive public construction works. However, several major fault lines exist. First, much of the foreign reserves are invested in dodgy US, Japanese & European bonds, which cannot be sold -- and, indeed, have to be rolled over -- lest the issuing countries falter and the value of the portfolio evaporates. Second, exports are diminishing as foreign markets weaken (threatening employment & wages). Third, much public & private debt is secured against bubble land prices. Fourth, China may have plenty of cheap labour, but it has little skill in innovation or real competitive experience.

In China, local governments control the urbanization & industrialization of rural land. This is confiscated (for minimal compensation) from farming collectives -- a major source of corruption which threatens to worsen as profiteering is driven by desperation to repay debts. These local governments are forbidden to borrow funds but (perhaps partially for policy reasons, to avoid centralized default) they do so "off balance sheet' via proxy financing vehicles. This confiscated land is then developed for private sale (i.e. privatized rather than collectivized), or sold to private developers for that purpose, which lets loose the standard Western greed associated with land speculation.

In the wake of the GFC, the Chinese central government injected US$600bn of hot cash and encouraged some US$2tr of bank loans in 3 years. Chinese debt (all sectors) is now double its GDP, but most of this is domestic: the central government only owes some US$1tr. (17% of GDP), but state-owned entities (including local governments) owe another US$2.6tr. (42% of GDP). The total public debt, totalling some US$3.6tr., is 59% of GDP. As in the west, these borrowings are secured (if at all) against bubble land prices and it is unlikely the borrowings can be serviced let alone repaid. With interest rates on deposits less than 1% and consumer spending only 34% of GDP, citizens also applied their cash to speculation, especially in land.

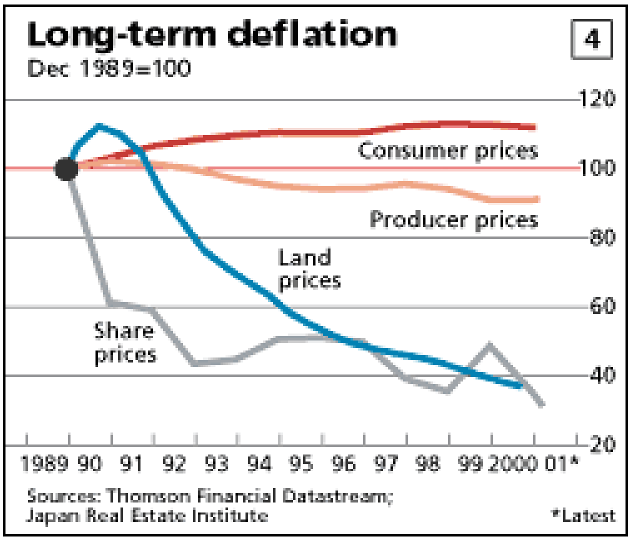
This stimulus fanned massive infrastructure projects such as roads, bridges and buildings, which were constructed by some 150 central and 120,000 state owned enterprises ["SOEs"], including local governments. SOEs have a political imperative to create employment but need have little concern about profit & loss (debts are just shuffled around on balance sheets) and, sadly for the more entrepreneurial private sector, have easier access to credit: this makes for long-term mal-investment. There is now total over-investment in capacity, with many empty housing estates (some 65 million vacant apartments), even whole new cities. Workers cannot afford to buy the housing as wages are low and they must save for health & education (since the welfare state is weak): private consumption (of consumer goods & fixed investments) in China is only some 35% of GDP, half the rate of USA. Upmarket apartments in Shanghai are priced at Y120,000 (~$18,000) per square metre, even ordinary apartments are Y30,000 psm (~$4,500), all way above general affordability: a blue-collar worker's average monthly pay is Y1,500 ($225). If (as is the case) the SOEs & private investors cannot sell or tenant these houses and achieve adequate rental, they will be unable to service the debt or borrow more, all at a time when the economy is slowing, with capital unavailable and demand for loans high. This will impact general domestic welfare construction and import of Australian rocks will stall.

Historical loose lending practices & hot money have fuelled property speculation, such that inflation is now above 6% pa. Inflation discourages employment, raises food prices (also pressured by drought), increases price-income ratios for property investors and threatens dire social turmoil in a country with unemployment increasing (as USA & Europe deleverage, avoid trade deficits and fade as markets) and growing disgruntlement over corruption & stark wealth disparity. All this is an explosive cocktail in China. As labour demands (for higher wages) by some 750 million workers rise and return on investment falls, the Chinese super-rich (followed by the merely rich) will withdraw their cash from the banks then out of the country. This capital flight will reduce bank deposits held, hence the amount of loans available, maybe forcing dilution of capital adequacy requirements and weakening ability to rollover loans.

To combat inflation, the central bank has raised interest rates and also bank reserve requirements to 21.5% (meaning less lending): with construction at 40% of the economy, this threatens to stymie growth and to prick the Chinese property bubble, conducing to Japanese-style deflation (already half-finished projects can be seen abandoned with funding dried up). To combat diminishing exports, the Chinese government is encouraging wage-growth, so as to stimulate domestic demand instead: however this will lower competitiveness. As foreign demand lapses due to inability to pay for imports, as China grows reluctant to accept inflationary currencies (especially the US$), it will have to abandon development of fixed assets (already at a surfeit) and try to stimulate domestic demand so as to maintain production & employment in its factories. Meanwhile, general popular disquiet about the reliability of the Chinese banking system & fiat currency manifests in a steady demand for gold as a reliable store of value.

(c) JAPAN: The Japanese bust occurred in 1991 after huge industrial earnings, made by this energetic & intelligent people in new postwar factories benefiting from latest technology transfer, were poured into a speculative domestic real estate bubble that burst. Asset prices (stocks & real estate) collapsed, reducing prices to some 30%, but the cost of consumer goods remained steady as depression set in. To stimulate employment & consumption, the Japanese government borrowed hugely (now over US$10tr, 230% its GDP) from its own thrifty citizens (who are often cashed up from exports) to bail out big business & banks and spend on over-capitalized "idle capacity" construction projects. Almost all Japanese taxation is applied to interest on this debt. Market returns became so weak and government debt so bad that bond yields fell from 6% in 1990 to 0.4% in 2003 and are now only 0.9%. The reserve bank indulged in QE, with injections of hot cash making loans cheap and enabling (via the carry trade) investment in the US dotcom bubble which exploded in 2000. More QE is likely.

20 years later the Japanese economy remains in the doldrums. Despite enticing interest rates approaching zero, with little domestic demand, low production, deflating prices and extortionate tax rates Japan's manufacturing capacity is being eclipsed by China and it is starting to suffer trade deficits for the first time in over 30 years. Foreign investment is reluctant. As its citizens grow old and withdraw their bond loans to consume their savings, as its population declines, and as it is forced to import energy following the nuclear tsunami, Japan will be forced to borrow abroad at higher interest rates. There would have been no bursting bubble in Japan had SR been collected, for there would have been no speculative land prices, no imprudent bank loans, no exorbitant private consumption using credit advanced upon the supposed value of homes, and ample public revenue to pay for necessary infrastructure. This might not have turned Japan's abstemious people into rampant consumers, but there would have been no national debt.



Snapshot of Japanese economy

(d) EUROPE: Refinancing difficulties in the weak European PIIGS[110] nations threatens general bank solvency and freezes credit. The Irish and Spanish problems in particular are clearly caused -- not by government debt (only 68% of GDP in Spain) but by massive cheap private sector borrowings, during the decade to 2007, being applied to speculation in real estate, leading to bank loans secured against bubbles then government bail-outs funded by borrowing from central banks. The ***European Central Bank*** [ECB] has imposed austerity measures on PIIGS but these cut expenditure, income & production, inducing a depressive spiral of defaults, margin calls & asset firesales with reduced revenue and a vicious spiral of social unrest.

Unemployment across Europe is now approaching 11% but is much higher locally (for instance Greek & Spanish unemployment is 22+% and for youth is over 50%). After bailout of Ireland, Greece became the most likely Eurozone member to defaults on loan repayments. In Greece (national debt = 160% GDP), the people are now fighting back against a brutal ***austerity program*** that is laying off workers, reducing welfare payments & wages (e.g. of public servants by 40%) and destroying basic living standards: they are already have rioting in the streets and rise of Fascist cries.

Historically, European banks have blithely treated all sovereign debt as similarly reliable, such that they have accumulated PIIGS bonds only to end up being faced with impending default. ***National defaults*** would force lending banks to enter the losses into their books and risk of contagion to other PIIGS would arise, sparking a rush by depositors to get their money out. As European banks are stuffed with PIIGS bonds, and as US & other foreign banks have large holdings in same and in shares of European banks, so looms a chain-reaction meltdown in the world financial system. European banks, faced with debt repayments, are at present borrowing from the ECB €200-300bn per month. This will force up interest & insurance rates and lower bond prices, putting more pressure on trading bans and indebted governments.

Unlike the situation is USA or UK, member nations of the EU cannot print money. The ECB alone can print banknotes and it can purchase sovereign bonds of member nations. The ECB has pulled ***two tricks*** in 2012, in an attempt to pull impossibly indebted member nations & banks out of their slumps.

The ***first tric***k is a €1.3tr. "long term refinancing operation" ["**LTRO**"], which creates reserves from thin air to buy (or take under pledge) toxic assets from troubled banks under "repo" terms that they will buy them back in 3 years at 1% interest – which is unlikely to really happen. In a "you-scratch-my-back-I'll-scratch-yours" round robin, the troubled banks then use the hot cash (in substantial part) to buy sovereign bonds, so keeping their prices up and interest rates down. The ECB argues that this repo trick makes LTRO not QE, but of course it is.

The ***second trick*** was to manipulate Greek debt so that the non-repayment technically falls short of being a "default". For this reason the ECB swapped its Greek bonds for longer term bonds at lower interest rate but at same capital sum. At the same time, private bondholders were stabbed, in a callous deal with dubious legality, by retrospective imposition of a clause binding all bondholders to a 2/3rds vote (controlled by the banks), such that they must "voluntarily swap" their existing bonds for fresh bonds having half the face value and at lower interest rates. Thus these other institutions, acting in the mutually-perceived best interest of their majority, have taken a "voluntary haircut". This trick also prevented triggering of CDS insurance, but at cost of undermining confidence in both bonds and CDS. The ECB also proposes a European Stability Mechanism ["**ESM**"] with an initial capital contribution by member nations of €700bn. and further calls (payable within 7 days) can be made at will. This threatens a huge loss of national sovereignty. ESM was established (by treaty) on 02-02-12 but awaits 17 separate national ratifications.

Meanwhile, required by ESM to cut €18bn pa from government expenditure to reduce its deficit to 3% GDP, French voters have turned to the socialists, who promise to increase expenditure yet again, despite unemployment at 10% and national debt 84% of GDP. Europe won't recover whilst its voters hanker after something for nothing and its leaders prioritize the benefiting of vampire bankers & bludging bureaucrats by trying to prolong the life of its current debt-based system. Trying to cure debt with more debt will place more burden on unborn generations, ultimately cause inflation, drive up interest rates and torpedo faith in paper currency amidst massive social unrest. If it is to become a transparent & healthy society, Europe must adopt the SR paradigm, firmly back its money, end central bank meddling and clean up its democratic procedures.

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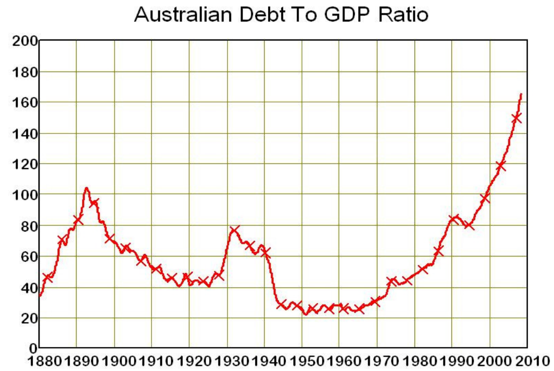
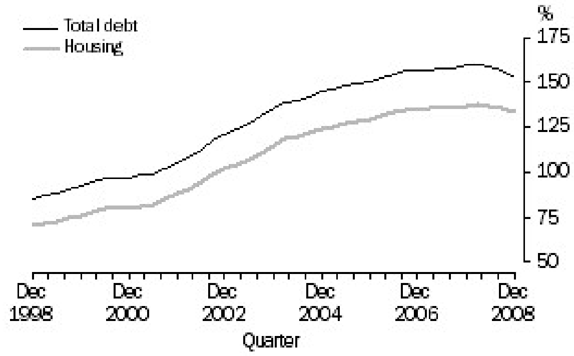
110 Portugal, Ireland, Italy, Greece & Spain. Note that France & Netherlands are not far behind.

(e) AUSTRALIA Thanks to mining, Australia's public debt ($250bn in April 2012, 85% owned by foreigners) is relatively low to GDP but adding in state bonds is 40% of GDP. However Australian banks (only 4 are major) are highly indebted to overseas lenders, owing over $800bn., half on 90-day terms, all secured against residential mortgages. Yet land prices -- leveraged by debt -- have become inflated, not least because Australian banks borrowed heavily in yen & US$ at low interest rates then frantically on-lent. Per capita borrowings have risen steeply (compared to GDP) over the past 15 years and exceed those in the US. Australian asset prices (property & shares) remain excessively high and unsupported by real fundamentals.



Shows the recent increase of Australian debt relative to GDP

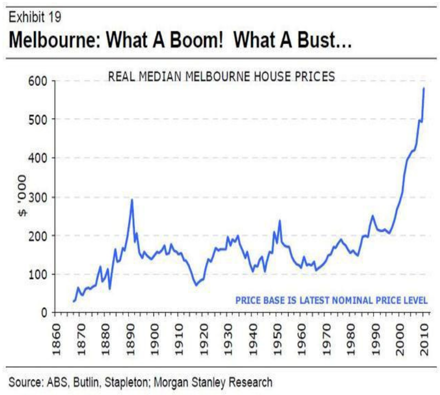
Although the Australian asset price bubble has deflated a bit since 2008 (some 5% - 7% in 2011), it has not yet been pricked. It may never be, and will just suffer a long painful decline. US house prices have deflated 34% since 2008. The median price of homes in Australia is highest in the world at 6.3 times household income, which is severely unaffordable (the Gold & Sunshine coasts of Queensland were at about 9x and the U.S. ratio is 3.2x). In November 2011 the Economist magazine[111] estimated that Australian residential real estate prices were overvalued by 53% against rental stream and by 38% against incomes.



Household Debt to Household Assets Ratio, Australia

The AUD$ is reliant on export of commodities and so is subject to "**Dutch disease**", where its currency is strengthened by mining to the detriment of other sectors such as industry & agriculture & tourism. It is also exposed to contagion by downturn in India or China (which is now deliberately cooling). Such contagion is eminently possible and would lead to decreased mining export and a tighter local economy with unemployment rising & threatening defaults, firesales, hence bursting of the property bubble and bank instability. The export price on iron ore is volatile: it dropped 35% in September 2011.

This bubble could burst if the banks have no funds to on-lend (e.g. due to reduced value of the AUD$) or if borrowers are unable to repay (e.g. due to widespread unemployment).The exchange value of the Australian dollar is at present soaring due to investors using cheap "carry trade" borrowings of yen & $US and solid commodity sales (especially to China, whose infrastructure spending has stabilized the Australian economy). The commodity sales could collapse if Chinese exports diminish, especially if the US is bankrupted or excess Chinese capacity causes massive local unemployment. Investment in Australia will be unattractive if bursting of its land bubble forces foreclosures & unemployment, bringing RBA-set interest rates to nil so as to assist servicing of bad debt but dissuading savings and distorting a normal economy.



All major political parties, including the Greens, have little awareness of how high asset prices have eventuated but cling to perpetuating them. This has been done by guaranteeing bank deposits & their overseas borrowings, by subsidizing public works which increase the value of private land at taxpayer expense, by encouraging investment in property by allowing negative gearing (against income) of holding costs, by encouraging redevelopment authorities to aggregate giant tracts of land then practically give them to developers, by splashing cash grants direct to citizens, by allowing DIY super funds to borrow, by fostering an environment where interest rates fell, by having AOFM purchase residential MBS, and in October 2008 by tripling First Home Owner grants (which are likely to entrap some 135,000 marginal borrowers who will find themselves unable to service mortgages when interest rates rise, especially if unemployment sets in). To minimize overseas borrowings, Australian banks are now (disgracefully) permitted to issue their own "covered" bonds, which give investors priority over the banks' own depositors. This is sick policy, which sends false price signals and transfers risk from the private sector onto the taxpayer. In fact, asset prices and banks should be allowed to collapse, so that a fresh reality can arise.

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[111] 26 November 2011, see http://www.economist.com/node/21540231?fsrc=nlw

16. Conclusion:

Achieving global peace & plenty is only possible by abiding by **one fundamental, respectful principle**: that humanity did not make the land & its resources and these are not available for privatization save with socialization of the economic rent. The fiscal face of this principle necessitates adopting SR. The SR analysis **relies only on reason and morality:** it has religious support, but does not rely upon same. **You will never see a refutation** of this SR analysis.[112] At best, opponents & critics will scurry, mumble & dissemble.

SR would improve things even in 'normal' circumstances. Due to the rapidity of industrial & technological change, which has led to massive military, industrial & financial complexities, the global situation is no longer "normal": it is irreversibly abnormal amidst greed, perversity and hard-hearted irrationality ("incorrigible wickedness", from another viewpoint). In Part X Chapter 4 of *Progress and Poverty* Henry George speaks of how **civilization may decline**. He speaks of complacency with corruption, dominance by wealthy oligarchs, inequality, scrambling for wealth, the festering of volcanic forces, Christianity dying at the roots with nothing to replace it and abandonment of sensitivity to an intelligent Creator.

Taking the SR course ends the mad dependence on profiteering out of real estate & resource extraction, and so upsets many parasitic vested interests & jettisons complex, embedded fiscal practices in a way that is inconceivable to most intellects. It is opposed by the rich, whose wealth almost invariably derives from site monopoly. It is hated by almost all politicians, academics, media moguls, bankers, captains of industry and trade union leaders, whose wealth or position depend upon private profiteering out of sites, or endorsing those who do, or parasitizing on mayhem. However, these opponents will never articulate reasons: rather (when pressed) all they can manage is to adopt superior airs, make dismissive verbal assertions and try to suffocate SR at birth. The toiling masses of blindly conforming sheeples have neither the time nor the wit to understand what is happening, and many are addicted to what they perceive as "their" wealth in the form of "their" real estate (as if they can take it to heaven). **The best those who oppose SR can do is smear, marginalize or ignore it.** This is cowardly dumb insolence in the face of reason & principle.

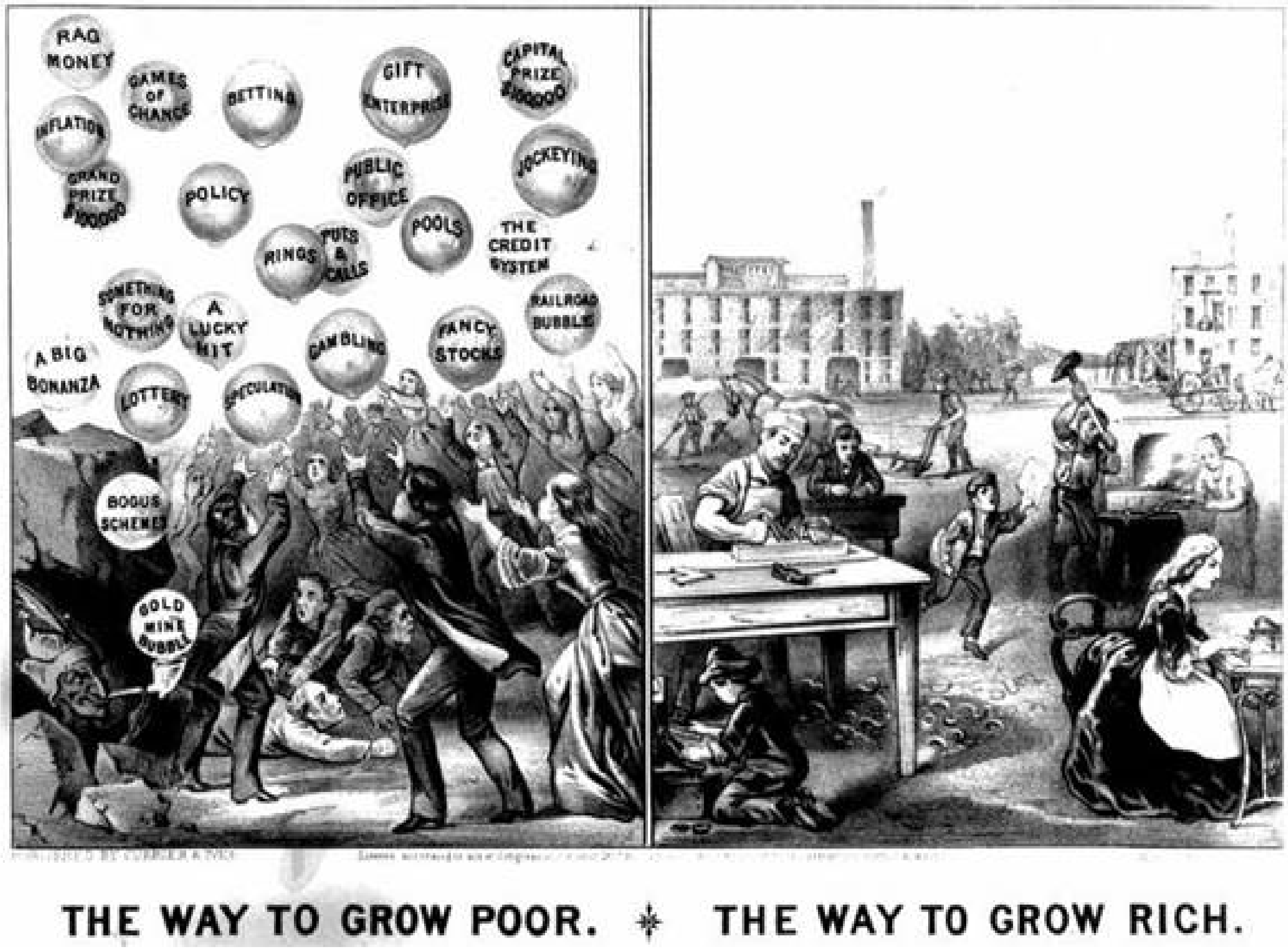
If this analysis foresees doom & gloom, it nevertheless hopes to avoid such outcome and prescribes how to do so. It is possible, but not probable, that in a relatively free & decent society like Australia the necessary SR reforms could be adopted by democratic process and be a light to the world, an ensign to the nations. Probably, **only in Australia** (the most ancient continent, with its history of decency and relatively stable position at the centre of the circle of continents) might this occur. It would be necessary for SR to be adopted with full democratic endorsement & understanding; it is also desirable, historically environmentally & spiritually, that each family grows its own vegetables so as to be relatively impervious to manipulation. However, in all likelihood **vested interests will continue to suppress the SR debate**, the masses will continue to remain ignorant & apathetic, and that 'democracy' will remain inherently flawed, so the necessary reforms will not be implemented in the short time available before looming social, fiscal & environmental crises become unmanageable. As a result, the global rich-poor gap will continue to grow, the natural environment will continue to deteriorate, national economies will sicken, friction over resources & militarization will increase, and grass roots folk will lack immunity to economic puppet-masters.

The impending result (which is still avoidable) would be such global conflict as is prophesied in the shocking historical imagery of the Bible's *Book of Revelations*. Only in the wake of that conflict may true principles be respected and SR be adopted across Earth. Let us hope reason & decency prevail on a voluntary basis to bring peace & plenty immediately. That remains possible to achieve, in Australia at least.

-- v.5 July 2012

Note on Style: The ampersand "**&**" (pronounced 'n') is used in this essay as a conjunctive within clauses (where Latin uses "*—que*"), with "**and**" being used between clauses (where Latin uses "*et*"). Modern English is deficient as it uses the same word in both instances, thereby causing structural weakness within sentences and confusion when scanning or parsing. Fortunately, English is a growing & evolving language and so it is capable of improvement.

[112] For detailed study of what brave formal academic criticisms exist, see Fred Harrison *The Power in the Land* Shepheard-Walwyn, London (1983); Steven B. Cord *Henry George: Dreamer or Realist?* Uni. of Pennsylvania Press, 1965 p. 67 and Robert V. Andelson (ed.) *Critics of Henry George* (Associated University Presses, 1979).



Nothing New Under the Sun

GEORGIST WEB LINKS

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