

# **How the reputation of Georgists turned minds against the idea of a land rent tax**

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## Abstract

Sir James Mirrlees (Emeritus Professor of Political Economy, Cambridge University, Nobel Prize Winner), in his report of a review into the UK taxation system (2011), noted negative perceptions surrounding land rent as a form of wealth redistribution. He said,

*The economic case for a land value tax is simple, and almost undeniable. Why, then, do we not have one already? Why, indeed, is the possibility of such a tax barely part of the mainstream political debate, with proponents considered marginal and unconventional?*

And,

*Why hasn't it been adopted widely in the western world? Even more puzzling is that, right now, as western economies struggle with the global financial crisis, why isn't this form of taxation being seriously considered as an alternative?*

This paper considers how this reputation of the proponents of a land rent tax as 'marginal and unconventional' has come about, and suggests how this reputation may have coloured perceptions of the wider issue of land rent as a source of public revenue. The paper draws on the history of the Australian Georgist societies, and looks at the behaviour of Prosper Australia today. The paper concludes, amongst other things, that members of the Georgist movement themselves may not have understood Henry George's fundamental intent of land rent as a means to an end and not as an end in itself. Drawing from the lessons of the past, this paper offers suggestions to current Georgist organisations, particularly in Australia, for repositioning their Georgist ideas and themselves.

## Introduction

This paper discusses the reputation of Georgists generally and compares it with the behaviour and activities of one specific Georgist organisation, the Melbourne-based Prosper Australia. The academic literature reveals limited discussion on modern Georgist organisations, and particularly not in the Australian context. The emergence in Australia of debates around stable government revenue sources; more efficient ways of collecting revenue; economic rent taxation, particularly of minerals; and the recommendations of the Henry Review in relation to land tax, suggest it may be timely to explore this gap. Since the start of the global economic downturn, tax reviews have been conducted in New Zealand, the UK and Australia, with Georgist organisations making substantial submissions to each. The reviews have all considered the collection of economic rent through taxation on land and other community assets.

Georgist organisations have been promoting the ideas of the economic rent of community assets for over 120 years, but have largely been seen as marginal to any serious economic debate. Has this been because the ideas have been considered wrong or unpalatable, or because Henry George had a difficult and unpleasant reputation amongst economists, or because of the Georgists' behaviour, or a combination of all three categories? This paper will consider the activities of the modern Georgist movement, and in particular Prosper Australia. It will assess their activities against the current debate, and will address the potential for Prosper Australia to inform and participate in the mainstream economic debate. Finally it offers suggestions for repositioning Georgist ideas, and themselves, to better communicate with the economics academic, business, social and political communities.

In doing this, the paper looks at the disconnection between the economics profession and the Georgists. It suggests the perceived divide has primarily resulted from a communication problem. The paper concludes, amongst other things, that members of the Georgist movement have not understood the divide that exists – they see a simple, logical 'big picture' system, whilst economists seem to be saying that things cannot be that simple. Because Georgists generally appear to have not understood how to relate across the divide, save for a few academics, they have largely been discarded from mainstream academic and policy debate. Whilst enthusiastic Georgists continue to push the paradigm onto audiences that have not been listening, and create or feed an 'us and them' situation, have they overlooked the 'main

game' of putting it into the policy domain? They themselves may not have understood Henry George's fundamental intent of land rent tax as a means to an end and not as an end in itself.

## Discussion

Henry George (1839 - 1897) was an American social philosopher, self-taught economist, and writer who was the most influential proponent of the land rent tax. A Georgist is an advocate of these philosophies and economic ideas.

Henry George's seminal work, *Progress and Poverty* (1879) was a treatise on inequality, the cyclic cause of economic depressions, and the use of the economic rent of land (via a tax on the unimproved value of land) as a remedy. He saw that the enclosure of land (as a scarce natural resource) led to increasing land prices, created economic boom-bust cycles, and led to poverty - the rising value of land meant that land costs would be an increasing proportion of the costs of goods sold. This meant inevitably that there would be downward pressure on wages and capital, whilst landowners would become richer without contributing effort. The paradox created of both progress and poverty co-existing in the same progressive economic system was the enigma he studied (Day, 1995). He saw a solution to the economic boom-bust cycles - if land was considered a community asset, then economic rent could be paid back to the community in compensation for the private use of land.

Henry George (1879) argued that a charge or tax on the unimproved value of land would be economically efficient, fair and equitable. He also argued that the charge could go a long way towards generating adequate revenue for government so that other taxes (such as on capital, production, sales and income) could be eliminated or significantly reduced. Tax on land values is a progressive tax, that is, the incidence increases with wealth, or in this case, the advantage of the site (Mirrlees, 2012; Henry, 2011; KPMG/Econtech, 2010).

Henry George was popular amongst the US public in the 1870s-90s (particularly after the publication of *Progress and Poverty* in 1879) and was a strident and noisy critic of economists and landlords (Andelson, 2004). He was reportedly a political loner, most comfortable as the centre of attention giving a speech (Hudson, 2008). He rejected an academic platform to elaborate rent theory (Hudson, 2008), and at a speech at Stanford University he indulged in a tirade against economists, claiming that "they'd made no substantial improvements since Ricardo" (Hudson, 2008, p. 27). His ideas were derided by economists as being unrealistic and politically difficult (Hudson, 2007, Gaffney, 1982). His

critics attacked the ideas and worked on peoples' fears by spreading misinformation, especially in relation to the nationalisation of land (Hudson, 2008; Feder, 2001). The neo-classical economists re-cast the definition of capital to include land, and as such removed the language in which Henry George's arguments were made (Gaffney, 1982).<sup>1</sup>

He was dismissed by many economists, who variously denounced him as being self-taught, non-academic, belligerent, stubborn, arrogant, charismatic, evangelistic, dogmatic, doctrinaire, and a radical; a quack, a crank (Pullen, 2009a; Hudson, 2008; Samuels, 2003; Garland, 1934). Yet, his popularity as a reformer remained in the wider community, evidenced by over 100,000 people attending his funeral (Hassed, 2013).

Hudson (2008) suggested that Henry George's decision to boycott academia in favour of a journalistic/promotional approach impeded the political take-up of the ideas, because academic perceptions and statistical analyses inform policy debates. Finally, by setting himself apart from academia (Hudson, 2008), and by his use of extreme terminology (Andelson, 2001), Henry George's individualism actually impeded his reform effort (Hudson, 2008). At the same time, the narrow focus of his rhetoric on the ground rent of absentee landlords set the Georgist movement apart from other reformers (Hudson, 2008).

Georgism, also called Geoism or Geonomics, is a social and economic philosophy of justice and equity, based on the writings of Henry George. Gaffney and Harrison (1994, p. 3) define the Georgist Paradigm as "a model of political economy that offers comprehensive solutions to the social and ecological problems of our age. At its heart are principles on land rights and public finance which integrate economic efficiency with social justice". The main tenet is that people own what they create, but that things found in nature or which are community owned, most importantly land, belong equally to all.

Georgism is not a cult (Andelson, 2004) and it is unlike other advocacy groups in that adherents come from across the political spectrum (Henry George Institute, 2013; Bellanta, 2007). Though it may inspire "deep loyalty and fervour" (Andelson, 2004, p. 545), it does not determine or insist on strict adherence to the ideas, or to any particular conduct of its members. Many of the supporters of the ideas, as evidenced by Andelson himself, often disagree with Henry George, and particularly over aspects of implementation. Andelson says

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<sup>1</sup> Henry George was shunned by American economists – a search of his name, within the entire *American Economic Review* since 1916, elicited only *three* hits, two of which were book reviews.

(2004, p. 545), "To be a Georgist ... is just to believe that, ... on the most vital points, more than any other single social ethicist or political economist, George had it right."

### Georgist behaviour and reputations

The ardent and fervent followers of the ideas of Henry George have developed a reputation over the last hundred years for being marginal and unconventional (Mirrlees, 2011). A question for further consideration could be: What is it about Henry George's ideas of the collection of economic rent of community assets (particularly land) that attracts marginal and unconventional proponents?

The authors have noticed that there is often a negative response, or a rolling of the eyes, or a reluctance to engage with the topic, whenever land tax, or Henry George, or the term, 'Georgist', are mentioned. This appears to be a common theme of discussion amongst members of Georgist organisations (as indicated on various blogs and websites) who have found it difficult to obtain interviews, place articles, participate in conferences and so on, and the level of rejection has affected their personal confidence and job satisfaction (School of Cooperative Individualism, 2013).

What is it about the name Henry George and the concept of land tax that creates the reaction of 'turning off' from a conversation? How have attitudes and perceptual biases like this come about? And, have they led to these ideas being overlooked, when it might be useful to revisit in the current fiscally-stretched time? How does the behaviour of Georgists 120 years later affect the take-up of the ideas?

A sample of comments about Georgist behaviour and actions has been gleaned from journal articles, a report by a Public Relations Company (Harris, 1978), and Georgist websites. The analysis of the comments has identified four main categories, namely public relations, theoretical rigour, organisation, and self-perception. The comments are provided in Table 1. The four categories highlight the major areas that ought to be addressed if the Georgist movement wishes to enter mainstream economic debate.

Distinguished Research Professor of Economics at Missouri University, Michael Hudson (2008) notes that Henry George had set up the culture of not aligning with other reformers of the time, and that this attitude is seen to persist today. He saw Georgists as "an inward-looking sect rather than an effective political movement" (p.9).

**Table 1: Comments on Georgist Behaviour and Reputation**

<p><u>Public relations</u></p> <ul style="list-style-type: none"> <li>- a bunch of single tax nuts<sup>2</sup></li> <li>- devotional, obsessive and fanatical<sup>3</sup></li> <li>- utopian or even evangelical approach<sup>4</sup></li> <li>- in the absence of statistical analyses, their silence allows property interests to appeal to consumers to reject taxes on property<sup>1</sup></li> <li>- insignificant backwater sect<sup>5</sup></li> <li>- unqualified assertions about housing affordability<sup>1</sup></li> <li>- not keeping the issue before the public<sup>1</sup></li> <li>- lack of intelligent public relations program<sup>6</sup></li> <li>- published material threatens people<sup>5</sup></li> <li>- untruthfulness – land value taxes might not lower taxes for everyone<sup>5</sup></li> <li>- “In fact, the Georgist philosophy entails a complex prospectus. We claim that it would deliver a wonderful future, based on organic evolution: but we do not spell out how this would be achieved, step by step. We claim that it would be a non-violent transformation. But we have failed to share with others some of the possible visions of not understanding the perceived needs of the community<sup>5</sup></li> <li>- insecure</li> <li>- not effectively lobbying, ie. not backed up by research reports and policy think tanks<sup>1</sup></li> <li>- seen as primarily socialist<sup>1 7 8</sup></li> <li>- what society might look like, depending on what they freely chose it to be.”<sup>9</sup></li> <li>- rebuffing other reformers and going it alone, thinking their solution is the best, and if it could just be done, nothing else would be needed<sup>10</sup></li> <li>- criticising other groups<sup>1</sup></li> </ul> <p><u>Theoretical rigour</u></p> <ul style="list-style-type: none"> <li>- one simple magical cure<sup>1</sup></li> <li>- avoidance of sophisticated economic discussion<sup>1</sup></li> <li>- acting as though a few simple ideas would take on a life of their own<sup>1</sup></li> <li>- incongruence of ideas with the dominant mode of economic analysis<sup>3</sup></li> </ul>
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<sup>2</sup> Hudson, 2008

<sup>3</sup> Samuels, 2003

<sup>4</sup> Stilwell & Jordan, 2005

<sup>5</sup> Day, 2005

<sup>6</sup> Harris, 1978

<sup>7</sup> Pullen, 2009a

<sup>8</sup> Pullen, 2009b

<sup>9</sup> School of Cooperative Individualism, 2013

<sup>10</sup> Gaffney, 2004

- “I have seen the urgent *for-God's-sake-sit-down!* gestures at conference Q&A sessions. There's this nagging sense that we're just not quite up to speed, intellectually”<sup>8</sup>
- preferring abstract deductive logic to empirical analysis<sup>1</sup>
- misunderstanding of economic terms (of Henry George)<sup>1</sup>
- arguing on purely abstract philosophical grounds without supporting statistical documentation to explain just what land taxation would mean in practice<sup>1</sup>
- unqualified assertions about housing affordability<sup>1</sup>
- most analyses lack depth<sup>1</sup>
- not keeping the issue before the public and at the centre of academic economics<sup>1</sup>
- not appreciating the present-day factors which make the arguments more persuasive (eg. land planning decisions allowing windfall gains, technology allows annual land valuations, immobility even more important because technology has enabled easy international movement of capital and wealth, slow down natural resource exploitation)<sup>4</sup>
- adherence to narrow ideas eg, land rent tax<sup>1 4</sup>
- regurgitating 19<sup>th</sup> century doctrine<sup>4</sup>
- Georgists appear frozen in time, advocating an old idea<sup>5</sup>

#### Organisation

- at loggerheads within their own organisations<sup>4</sup>
- different views about the ideas of Henry George<sup>1 4</sup>
- many splinter groups and websites
- being more an inward-looking sect than an effective political movement<sup>1</sup>

#### Self Perception

- “I would like "being a Georgist" not to be something to be apologetic about.”<sup>8</sup>
- “Georgists are the stubborn outsiders of economic theory who refuse to wink at all the taking that pretends to be making. They look directly at the question and draw unsavory conclusions about how great fortunes are accumulated. The emperor funds the leading economic departments, and Georgists are shown the door for their sartorial observations of naked aggression.”<sup>8</sup>
- “This has sometimes led to a disavowal of certain terms, such as "Henry George," "Georgism," "Single Tax," "Rent," or even "Land" - as if uttering these words will reveal us as having come in with *that* discredited band of cranks”<sup>1 8</sup>

Georgists have been seen as devotional, obsessive and fanatical with a lack of academic rigour in their analyses (Samuels, 2003). Historically, Georgists have preferred abstract

deductive logic to empirical analysis. For instance, there is little evidence of attempts to estimate the total value of US land rent. Nor was there any awareness of how mortgage credit would become the major factor causing land prices to rise (Hudson, 2008).

The movement has been thwarted by argument over interpretation of terminology, adherence to the original ideas, and understanding of Henry George's writings and intention (Hudson, 2008; Day 2005). The authors have observed unprofessional, argumentative and aggressive public presentations (2011), and blaming and in-fighting amongst members at meetings. Often expecting rejection and derision, Georgists can also seem apologetic and insecure (School of Cooperative Individualism, 2013). These distractions may have diverted energies and thought away from the development of rigorous analysis, public debate and cohesive strategic action. No doubt, with this kind of behaviour, potential influential members may have turned away from involvement with the organisations, preferring to remain independent and untarnished by the reputation of Georgists.

### Georgism in Australia

Georgism was very important in Australian social and political history but it is not particularly well documented (Hawker, 1996). Bellanta (2007) suggests that Georgism was "a populist movement inspired by visions of social reconciliation and harmony" (p. 28) and argues that historians who have failed to recognise that fact have misrepresented the movement's character and aims. This view would concur with the School of Economic Science (UK) and its School of Philosophy branches throughout the world, who study the philosophy of Henry George's ideas as a means to allowing all humanity to live with justice and equity (School of Economic Science, 2013; Tippett, 2012).

Bellanta (2007) notes that Henry George's ideas were pitched at 'the people' rather than at a social class and the ideas were by no means anti-capitalist. The Georgists came from all social strata, and some of the followers of Henry George's ideas were 'people of note' (Bellanta, 2007). Worrall (1979) lists 290 people who were members of Georgist organisations in New South Wales, Tasmania, Queensland, South Australian and Victorian during 1890. This list is an underestimate of those involved in single tax bodies at the time, as it included only 'the public, conspicuous people' with some corroborated form of involvement in the movement, "not the rank and file who merely paid their dues and attended meetings" (Worrall, 1978, p. 109). Nor did it include those unionists and others who believed in the single tax, but who were not actual members of a Single Tax League (Worrall, 1978). A biographical listing,



possibly not exhaustive or up-to-date, of Australian Georgists has been compiled by the School of Cooperative Individualism ([www.cooperativeindividualism.org](http://www.cooperativeindividualism.org), 2013).

Georgism was already an active movement in Australia before Henry George arrived in Sydney in 1890 for a three-month speaking tour of the eastern colonies (Sydney Morning Herald, 1890, p. 3). His book, *Progress and Poverty*, had been published in 1879 and was in circulation in Australia by the early 1880s. Henry George's *Essays of 1883* were also available in Australia soon after their publication in the USA (Hawker, 1996). A brief scan of newspapers of the time before his arrival<sup>11</sup>, demonstrates that the message of Georgism had spread widely throughout the Australian colonies, and Hawker (1996, p. 2) quotes Picard (p. 46) who identified that "*Progress and Poverty* was discussed, damned, praised, and analysed on all levels from the professorial to the political".

Henry George arrived Australia in 1890 and was received by large enthusiastic crowds and substantial commentary in major newspapers (see, for example, Sydney Morning Herald, 3/3/1890 p. 3, South Australian Chronicle, 5/4/1890 p. 5). What followed was a period of intense political debate between the Protectionist and Free Trade parties leading up to Federation in 1901. Some of Henry George's ideas were deeply embedded within several political movements, left and right (Millmow & Pullen 2012, Pullen 2009b, 2005; Bellanta, 2007; Hawker 1996; Garland 1934). After Federation, Georgist ideas became confined within politics, and were adopted by what became the Australian Labor Party (Bellanta, 2007; Hawker, 1996; Headon, 2010; Pullen 2009, 2005; Garland 1934; Australian Taxation Office, 2011).

By the early twentieth century, it was becoming clear that, although many Australians had been captivated by Henry George's ideas, enthusiasm for the Georgist movement had waned (Hawker 2006, Pullen 2009). Even so, 20 years after his visit, and also 13 years after his death in 1897, the new federation of Australia enacted a land tax as its first tax, that is, the Land Tax Act 1910 (Australian Taxation Office, 2013). It was a debased tax with sliding exemptions (Hawker, 1996). The tax did not win unqualified Georgist approval, but it did affect the pattern of land holding and shift the incidence of taxation (Hawker, 1996). So, enthusiasm for him may have died down, but the ideas he supported were put into practice at that time. Other examples of Henry George's influence included: the planning and design of Canberra (Headon, 2009) and the leasehold tenure of the Australian Capital Territory, which remains

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<sup>11</sup> National Library of Australia, TROVE database of newspapers

the status quo today (Pullen, 2009); widespread adoption of unimproved value as the basis for rates and taxes on land for local and state government (Mangioni, 2013); and, attempts to impose betterment levies and developer contributions in urban development (Pullen, 2009).

Before Walter Burley Griffin travelled to Australia in 1913 to take up his commission to design Canberra, he sent a letter from the US to Minister King O'Malley outlining his personal interest in the land question (Headon, 2009). He praised the Australian Government's decision to make the land of the new Federal Capital Territory leasehold rather than freehold, as follows:

*... I cannot refrain from extending congratulations to your Government on the stand it has taken to maintain in perpetuity the rental value of the capital site [of Canberra]. Failure to do this everywhere is largely responsible for distortion and prevention of natural city growth, nowhere better exemplified than in our own capital, Washington, where speculative holdings perverted the development ...*

(Progress, 1 September 1913, p.2 in Headon, 2009)

Headon (2009) suggested that it was this last claim of speculation perverting development that really shaped Griffin's own political and ethical thinking. Not long after his arrival, the Georgist magazine *Progress* ran a feature piece on Griffin where his support for the single tax was highlighted - Griffin had been reading the works of Henry George for over twenty years and was reportedly an active member of the Chicago Single Tax Club (Headon, 2009).

In a speech to the Free Trade and Land Values League (another Georgist group) in September 1913, Griffin outlined his Georgist belief in defiance of the worldwide decline in interest of Henry George's philosophy and social program. He said, "The Single Tax movement ... was really a religious movement, for it had its foundation in the highest and best in human nature – the desire to benefit democracy" (Headon 2009, p. 8). Could Griffin's comment about the movement being religious have contributed to its reputation of being devotional, obsessive and fanatical? Could it have helped to confirm the reputation of Georgists as being 'quacks' (Millmow & Pullen, 2012; Hudson, 2008; Garland, 1934)?

Like many of his Australian Single Tax contemporaries, Griffin aspired to 'a new social order.' He believed this could only come about through the practical example of a trend-setting New World democracy to influence change in the Old World (Headon, 2009). Griffin thought that the Henry George-influenced practice of government administration of all public

services, and public proprietorship of the lands of the ACT, had it uniquely placed to lead the world in a new-style democracy (Headon, 2009).

### Georgist organisations in Australia

There is no one all-embracing nationally acknowledged Georgist body in Australia (Day 2005). Instead there are a variety of organisations throughout the states and territories of Australia, which are funded by membership, endowments and investments, all of which have been impacted by recent economic events in Australia and overseas (HGFA, 2013). The movement worldwide and in Australia finds itself with the difficult reputation of having proponents that are considered ‘marginal and unconventional’ (Mirrlees, 2011). In addition, the movement is facing a shrinking and ageing membership and, possibly more importantly, declining funds (HGFA, 2013).

Day (2005) was critical of Georgist activities in Australia saying that there has been too little research into the real-world implications and administrative preparations needed for re-implementing Georgist philosophy in Australia. Day also rued the lack of analysis of the fundamental enigma he had identified, namely, society’s seeming blind resistance to what, to Georgists, seems so logical and obvious. Hudson (2008) said that Georgists lacked a clear basis for engaging in serious political discussion – their argument remained more philosophical than concrete. As an observation, the Georgist movement in Australia could be said to have largely become irrelevant to mainstream economic debate. This may be partially explained by the comparatively little Georgist academic writing in Australia compared with the United States. Australian Georgists have occasionally appeared in academic economic journals – see, for example, Terry Dwyer (2003) and Frank Stilwell and Kirrily Jordan (2005, 2004). Non-Georgists have also written on Henry George – for instance, John Pullen (for example, 2009a, 2009b, 2005) has also written extensively about the impact on Australia of Henry George at the time of his visit.

A substantial amount of US academic commentary on Georgist ideas relates to the feasibility of estimating the value of unimproved land, and on the difficulty of implementing a rating system (for example: Hudson, 2008; Blaug, 2000; Rothbard, 1997). This may in part explain some of the lack of Georgist activity in academic literature in Australia - Australia has extensive and long-term experience with the municipal rating of land, and debate on that is primarily outside economic literature. Further, land tax is now applied at State/territory level, and the mechanisms for calculating and collecting it are in place.

Notwithstanding that, this current form of the state land tax does not reflect the Georgist idea of the collection of the economic rent of land and other community resources. The Georgist idea includes a hand-in-hand reduction, or indeed removal, of taxes on income, capital and production. In its current form the State tax is an impost, and is not popular, and it gives rise to negative public perceptions about land tax. As a result Georgists consider it difficult to obtain public support for a Federal land tax as per the Georgist paradigm (Prosper 2013).

Georgists might also be outside the mainstream economic debate in Australia due to a lack of lobbying and public relations activities. Perhaps it is also their reputation which hinders them from being included in debate. However, Prosper Australia presented a significant submission to the Henry Review in 2010 (*Australia's Future Tax System*, 2010). Further, the recent unexpected reduced government taxation income in 2013 has generated renewed interest in tax reform (Freebairn, 2013) and Prosper Australia has been increasingly approached by other organisations seeking information about land tax and inviting staff to make presentations at conferences (Prosper Australia, 2013).

#### Prosper Australia and other Georgist organisations in Victoria

Originally founded in 1890 as the Single Tax League of Victoria, it was later known as the Henry George League of Victoria (from the early 1900s), and then Tax Reform Australia (in the 1980s), before adopting its present name, Prosper Australia, in 2000 (Prosper Australia, 2013).

Alongside the evolution of Prosper Australia were two other Victorian Georgist organisations, the Henry George Club (HGC) and the Henry George Foundation of Australia (HGFA). The Henry George Club was started in 1918 by a group of prominent Melbourne businessmen, including Walter Burley Griffin and Royden Powell, as an entity for purchasing real estate to house the educational and promotional activities of the Georgist movement in Victoria (Henry George Club, 2013). This organisation still operates today.

In 1928, The Henry George Foundation (Australia) (HGFA) was established in Melbourne by Edgar Culley. This organisation had the purpose, as set out in the Deed of Trust, of “promulgating and spreading the knowledge of the teachings and economic principles of Henry George as elaborated by him in *Progress and Poverty* and other of his works” (Henry George Foundation, 2013). Its primary purpose was to administer the Trust Fund and to finance activities of the Georgist movement. Though Victorian based, its Trustees are from all over Australia (Henry George Foundation, 2013) and it still operates solely as a funding body.

Prosper Australia is the public face of Georgism in Victoria and is HGFA's promotional and educational arm. The Mission as given on its website is to "replace all existing taxes with a charge on the value of land and natural resources" (Prosper Australia, 2013). Prosper Australia is housed in the Henry George Club's property in Punch Lane, Melbourne and its staff and activities are funded by the HGFA. Prosper Australia operates three specialist sub-sections which carry out research, campaign, and project-related activities. Prosper Australia and its predecessors have published the journal, *Progress*, for 109 years (Prosper Australia, 2013). At its inception *Progress*' circulation was an impressive 20,000 copies.

Prosper Australia is the largest of the Georgist bodies in Australia and is overseen by a voluntary board drawn from its membership base. Prosper Australia currently operates with four part-time staff members who have the roles of research, campaigns, project coordination and administration (Prosper Australia, 2013). Prosper Australia is and has been quite active, despite its declining membership base. The website details its current activities and these are discussed below.

Prosper Australia works through various avenues to reach the public, each one addressing a defined audience, as follows:

- Earthsharing Australia, established in 1996 appeals to a 'green' audience with issues surrounding sustainability of the earth and education in economics
- Land Values Research Group (LVRG), the research arm, conducts studies into site value ratings and economics. The current research director's role priorities include raising the profile of the LVRG (especially as regards its forecasting of the present economic crisis) and identifying further land-based statistics that can serve as barometers of the wider economy. For many years the Joint Patrons were the late Clyde Cameron AO, Minister in the Whitlam Labor government, and the late Sir Allen Fairhall, a long-serving Minister in the Liberal governments of Menzies and Holt.
- Melbourne School of Economics is the educational arm. It is temporarily inactive (Prosper Australia, 2013).

As stated earlier the mission of Prosper Australia (Prosper Australia, 2013) is to "Replace all existing taxes with a charge on the value of land and natural resources." This will be achieved by educating society in economics, seeking support for our mission, and supporting proportional representation in all elections. The vision is to abolish poverty, achieve full employment, create a more educated society, achieve a sustainable environment through land management, and reduce the cost of home ownership.

To achieve its mission and vision Prosper Australia currently runs campaigns, such as a campaign targeting political candidates for the 2013 Federal election launched on 1 June 2013. The staff also undertake research, prepare articles, maintain websites and blogs, broadcast the *Renegade Economist* radio program on 3CR, make films (for example, *Real Estate for Ransom*), give papers at conferences, prepare brochures and other PR material, give talks, publish *Progress* magazine, maintain an extensive library of Henry George memorabilia, operate an in-house bookshop of current relevant titles, and prepare submissions. Most of its promotional activities are based in Victoria, for example, the *Occupy Melbourne*, and *Stamp Out Stamp Duty* campaigns. The *Don't Buy Now* campaign was targeted at first home buyers and the federal First Homebuyers Grant scheme. Though a state organisation, Prosper Australia took a lead national role in the preparation of a substantial submission to the Henry Review in 2010, entitled *Land value taxation: solving the efficient tax problem (Australia's Future Tax System, 2010)*.

### Activities

Prosper Australia's activities are analysed below with regard to the four categories of comments identified in Table 1. Of the 40 comments overall, about half describe Prosper Australia's behaviour.

#### a) Public relations

About half of the comments on public relations could describe Prosper Australia. A selection of *Progress* magazines, blog comments, website articles and the *Real Estate for Ransom* film revealed language, tone and manner consistent with developing a negative image, as shown in the examples below. Though the language may be an attempt to provoke action for change, it may also present the organisation as unprofessional and antagonistic, as follows:

- angry and aggressive tones, eg. "This is a disgusting, economically dishonest policy," and, "... acknowledges just how destructive and behaviour-distorting this vile tax is" (Collyer, 16/5/13).
- complaining, eg. "Again, the baby boomer generation is being treated as a special class above everyone else ..." (Collyer, 16/5/13).  
and,  
"Property ownership is heralded as the bedrock of democracy. Politicians' attitude to housing speculation as 'too big to change' hints at a sick and distorted representation of the greater good" (Fitzgerald, 19/4/13).
- intimidation and verbal attack, eg. at the opening screening of the film, *Real Estate for*

*Ransom*, the presenter became angry at some questions from the audience. He put on a Chinese Mao worker hat, and proceeded to make comments like “that’s a typical comment from a ‘have’”. Several members of the audience walked out (Personal observation, 3/10/11).

There is opportunity to develop a more appropriate communication strategy with all audiences.

#### b) Theoretical analysis

Only about 40 percent of the comments related to current economic analysis activity, with a further 30 percent being seen sometimes. Examples of major reports prepared include *Unlocking the riches of Oz* (Kavanagh, 2007) and *Total resource rents of Australia* (Fitzgerald, 2013). Prosper Australia has strategies in place to build on their expertise in economic analysis and modelling.

#### c) Organisation

The critical comments about behaviour are also relevant to Prosper Australia most of the time. This indicates an opportunity for cultural change. The office and staffing is currently undergoing review.

#### d) Self perception

Two of the three comments are relevant, namely, being insecure, and being ‘stubborn and aggressive outsiders’. Both these can be addressed as a flow-on from the above strategies.

### Opportunities for Prosper

In the current global economic climate governments are searching for solutions to mounting debt crises, unemployment, slowing economies, tax fraud and lower taxation revenues. The OECD is recommending alternative taxation structures for their struggling member states for tax avoidance minimisation. The World Bank is looking for alternatives for economic development in their lenders, and the UN is pushing for reforms in Africa to alleviate poverty. The International Monetary Fund (IMF) has suggested that the UK apply a tax on land without development, and that property tax be reviewed in the medium term (IMF 22/5/13). Australia itself has a fiscal problem and needs a new revenue base.

The Henry Review (2011) in Australia recommended to the states that land tax be applied uniformly and that stamp duty and payroll taxes be removed. Not only was that significant from a Georgist perspective, the Review also commissioned a model which analysed land and

other natural resources separately from capital. This might beg a serious look by mainstream economists at the validity of the neo-classical treatment of including land under the umbrella of capital (Hubacek & van den Bergh, 2005). Also this step by Treasury could provide Georgists with a platform from which to enter the mainstream debate. (Please note that Prosper Australia were not even aware of the model used, nor of the typically ‘classical’ treatment of land and community assets, until it was brought to their attention on 26/4/13).

Mainstream economists are now calling for the recommendations of the Henry Review to be implemented, including those on land tax, and for MRRT to be improved so that it falls correctly on extracted resources rather than on mobile profits (Freebairn, 2013; Hudson, 2013).

Georgists are concerned that much of the private wealth (and debt) of countries in the Western world is caught up in the market price of land (Hudson, 2013; Kavanagh, 2007). In particular in Australia, where home ownership and land prices are high, land value currently accounts for 40% of GDP (Kavanagh, 2007) and is the single largest item. But that value is ‘locked up’. The collection of economic rent on land and resources is seen by Georgists as a way of freeing that wealth so that it can be made available for investment in production and other economic and social activity, and, importantly, not only to raise government revenue, but to provide stability of revenue supply.

And now, being the largest Australian Georgist organisation, it seems logical that Prosper Australia should reposition itself as the peak Georgist organisation in Australia and look to the national agenda. A goal could be to be seen as the main body for information about strategies for, and effects of, implementation of a national land tax with removal of other taxes. The current economic circumstances, and the forthcoming election, give Prosper Australia a unique opportunity to position itself in both the moral and economic debates. Prosper can provide philosophic and moral rationale, land and natural asset information, valuation expertise, economic analysis and commentary on the Australian economy and taxation reform.

In Georgist terms, the goals of economic freedom and justice and equity would be delivered through the collection of the economic rent of land and community resources and the removal of taxes on productivity, investment and income. In Australia, many of the taxes to be removed are in the *Federal* arena. Notwithstanding the recommendations of the Henry



Review (2011) that the *states* should extend land tax and remove stamp duties and payroll tax, the most significant changes from a Georgist perspective would occur at the Federal level. Therefore it could be argued that the most important work of the Georgists would be at the national level. In that regard their work would be to lobby for land tax to be removed from the states and brought back into the federal jurisdiction where it was until 1952. The Commonwealth government has the power to reintroduce the land tax nationally (Prest, 1983).

#### Where to next? Strategies and cultural change

In essence, the new strategy of ‘going for the national agenda’ agrees with Hudson’s view (2008, p. 33) that “full land taxation could have succeeded only by keeping the issue before the public and at the centre of academic economics, combined with lobbying efforts backed by research reports and policy think tanks.” This would require adapting Prosper Australia’s resources to that end, and based on the previous analysis it is apparent that the skill set and confidence of the organisation would need support for the level of lobbying and campaigning required.

Prosper Australia does have reputation and image issues which require addressing if it is to hold a relevant presence in Australian economic and social debate. Although Henry George may not be known widely amongst the general public, and young economists may not be taught about his paradigm, some residue of a negative reputation about Henry George and Georgists remains. Going for the national agenda would require a corporate cultural change to overcome, in particular, the ‘typical’ Georgist image – and it is well within the ability of the organisation to embrace the change. It has the financial resources, expertise and political will to make the change.

There needs to be recognition that the perceived greatest barriers to understanding and acceptance of economic rent/land tax, and the removal of most other taxes, are implementation issues. What would its benefits be? How would it work? How would it affect people? These need to be explained.

Taking their focus off land tax and placing it on justice and equity (Harris, 1978) would give Prosper Australia broader scope to collaborate with other like-minded organisations who may have the skill sets needed for national debate. This is, however, at odds with Henry George’s own political stance of standing alone (Hudson, 2008).

In relation to participating in the national agenda, the following specific areas for development are suggested:

- Return to the goals of the original philosophy of delivering justice and equity
- Attract tax-deductible funds to PARI to enable modelling work to be undertaken
- Economic reports and expertise to be promoted more widely
- Training in how to go about influencing reform, including appropriate alliances, promotions and communications
- Training in federal lobbying
- Development of relationships with mainstream press, bureaucracy, politicians and academia
- Increase in philosophical understanding
- Use of language which is helpful and supportive
- Move away from Georgist jargon into more mainstream language
- Commitment to the agreed strategy and its implementation

Improvement in these areas would be expected to assist their reputation and support Prosper Australia to obtain a higher profile.

## **Conclusion**

Henry George developed a social philosophy based on personal freedom and justice and equity for all. Yet the implementation of the philosophy is through the economic system. The historical treatment of Henry George and his ideas has largely resided in the forgotten aspect of economics, rather than in philosophy or sociology, and that may have been its undoing. Economics and vested interests have not been kind to the ideas, which would have been better debated in a discipline which studied justice and equity rather than one studying the limited models of 'rational' man. Against this, the Georgist movements around the world have kept the flame alive.

The reputation of the Georgist movement is inextricably linked with the reputation of Henry George. He may have caused his own downfall, but the Georgist movement has remained for over 130 years. This in itself is remarkable. However, by focussing on land tax rather than on Henry George's goals of justice, equity and economic freedom, Georgists lost their way and have not captured attention, imagination or found support. Now, 130 years later, most people have not even heard of Henry George or his social philosophy, and the residue of his former reputation most likely only resides amongst academic and political economists, Canberrans,

and bureaucrats. The recent Georgist movement is also largely unknown to the public, and it has not been a major player in social or economic debate.

In a way, the Georgist movement has been holding the ideas of Henry George and keeping them 'pure'. Now, with economic circumstances as they are, perhaps it is time for the ideas to resurface and be examined again. As economists are calling for the taxation of economic rents (including land tax), and the Henry Review has applied a model which isolates land as an item separate from capital, the Georgist movement has an opportunity to become more involved in the economic debate. Georgists have an opportunity to provide high-level advice on justice and equity through the social imperative of land and the implementation of a land tax regime.

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