

HENRY GEORGE FOUNDATION (AUSTRALIA)

AN OUTLINE OF MUTUALISM

(Comments by E. J. CRAIGIE)

The sponsors of a document with the above title make the claim, that the proposals set forth in it, represent 'a practical path to social justice, to a natural order of society' and 'it presents no difficulties in application or achievement'. It concludes by asking readers to 'examine it how you will it stands -- it will stand. It is truth, obvious and self-evident truth verifiable from experience'.

Having followed the suggestion to 'examine it' I cannot agree with the claims made, and now submit the following comments.

Before doing so, I wish to state I am in agreement with the statements in the document relating to tariffs and all other trade restrictions, and the condemnation of the existing economic system. The arguments against these evils are clearly and concisely stated. I also agree that land monopoly is the greatest of all monopolies and that ALL economic rent should be taken into the public treasury.

I do NOT agree with the compensation proposal of issuing bonds carrying 5% interest to landholders, neither do I see any necessity for the weird life assurance scheme suggested.

Here are my main reasons for disagreeing with the two main proposals:-

In regard to the issue of bonds as compensation to landholders, no details are given relating to this important subject. Certain questions call for definite answers. What will be the basis for determining the extent of the bond issue? Will each landholder receive bonds in proportion to the assessed unimproved value of his land at the time of issue? If an affirmative answer is given to this question, would not this be a violation of the principle of 'equalisation' stated on page 2 of the document?

In Step (1), relating to the collection of economic rent for public purposes we are told:- 'The effects of this step taken as a whole are to put society upon a sound economic footing --- to put nobody at a disadvantage'.. We are also told - 'the collection would be a great equaliser between individuals in society' and that 'the collection is the moral duty of society'.

In view of these statements, it is difficult to understand why compensation should be paid. Throughout 'The Outline of Mutualism' it is stated that economic rent arises because of the presence and activities of the community, and it is the MORAL DUTY OF SOCIETY TO COLLECT IT. If this collection is a moral action, wherein is the justification for the payment of compensation?

According to the Oxford Dictionary, compensation is defined as 'to make amends to a person' 'a thing given as a recompense'. The definition in Chambers' Dictionary is 'an act of compensating, reward for services' -- 'to make amends for loss sustained'.

Seeing it is admitted by the Sponsors of Mutualism that economic rent is rightly the property of the community, and not of individuals, surely there is no need to make amends to landholders who have immorally been taking economic rent for private gain! Further, landholders who have been misappropriating what is conceded as being a public revenue fund, can hardly expect a bond issue as a compensating reward for their wrongful seizure, especially as the alleged loss sustained by them through the collection of ground rent for public purposes is somewhat similar to the loss sustained by a burglar who has to yield up stolen property! Am I right in thinking the Mutualists would be consistent and compensate burglars for the loss they would sustain?

Now let us examine the collection of economic rent and the bonus issue to landholders as the alleged 'great equaliser between individuals and society'. Throughout Australia landholders have been called upon to pay annually in land tax, a portion of the economic rent of their landholding into the public Treasury. Up to 1952, there were three governments Federal, State and Local that took a share of the economic rent. The Federal Land Tax was abolished in 1952, the collections for the year 1951-52 being £6,199,000. Since then State governments have taken approximately £5,000,000 annually. Local governments in five States collect approximately £40,000,000 from rates levied upon land values.

In addition to these taxation levies upon land values, it is not overstating it when we say that further economic rent to the extent of £4,000,000 annually is now paid to the public treasury as rent for miscellaneous, pastoral, right of purchase leases operating throughout the Commonwealth. It will thus be seen that at present approximately £49,000,000 of the economic rent is now reaching the various public treasuries.

An important point to remember is that these contributions by landholders are not on a uniform basis. Some taxpayers pay less than others because of the variations in the rate of tax in the pound and by reason of certain exemptions.

Land taxes vary from three-farthings to 8d. in the £. We have not at hand the small number who pay land tax, but it is a well known fact that only a very small percentage contribute land tax revenue.

The point the Mutualists must answer is:- Seeing there is this variation in the rate of tax in the £ paid and the numerous exemptions, the alleged 'loss sustained' when the public appropriation of rent is in operation, must vary considerably so far as landholders are concerned. How do the Mutualists propose to secure 'equalisation' in regard to the compensation payment?

The landholders who have been taxed at the lowest rate in the £ and enjoyed exemptions will, manifestly, in the words of the Mutualists, 'sustain a greater loss' than the landholders who have taxes on a higher level and been without the exemptions. Are we to assume that those who have contributed this smaller amount in taxes will have a larger bond issue made to them? It logically follows that the alleged loss to the man on the higher land tax level will not be as great as the one who has been getting away with a larger share of the plunder. Therefore, his loss being less, it appears to follow, his compensation bonds must also be less. What is the reply to this question?

It is significant that in OUTLINE, Step (1), reference is made to the bonds carrying 5 per cent, but it is not stated whether the bonds are to be issued for any particular term, or whether, like Tennyson's brook, they run on for ever. Further information regarding the duration of the bond issue is desirable.

Seeing that interest at 5 per cent is usually regarded as the equivalent of the economic rent, does not the bond issue really mean that the recipient landholders will receive as interest on bonds, the equivalent of what was formerly taken as rent? Is not this merely changing the form of exploitation? This appears to be admitted by Mutualists in their statement:- 'The 5% of land value equals the present economic rent, so that whilst we leave present rent to the individual in another form, yet we immediately secure all rent for the future'.

We would like some authority on Mutualism to explain by what system of magic it is possible to give the 5% interest to landholders and 'immediately secure all rent to society for the future'? Would not the payment of the 5% interest cancel out from society, 5% of all FUTURE RENT so long as the bond was in existence and the interest paid.

Seeing it will be from wealth producers, this interest will be taken and handed to the privileged bondholders, how can such a scheme be termed a 'great equaliser between individuals and society'?

Surely if there is a claim for compensation, it should be made by that section of the community who have, for a long period, been robbed of their natural heritage -- not by those who legally have been permitted to partake of the proceeds of such a robbery?

The second interesting proposal in the OUTLINE of MUTUALISM relates to life assurance societies. The main features of the scheme are:-

- (4) The immediate issue of an endowment life assurance policy to every child at birth. Such policy to be calculated to cover all exigencies of life. The State to pay the premiums until the child reaches the age of economic independence, whenceforth it shall pay its own. The parents to have a choice of policy between approved offices.
- (5) The immediate institution of a 5 per cent subsidy by the State upon all life assurance premiums taken with approved offices.
- (6) The encouragement of approved mutual life assurance societies to form subsidiaries to enter the field of banking.
- (7) Encouragement of the mutualisation of industry.

This is a very comprehensive policy but it is surely not in accord with the principle of a free economy.

Normally there are approximately 200,000 births per annum in the Commonwealth. This would mean the issue of 200,000 endowment policies upon which the State would pay the premiums. Seeing the policy is to 'cover all exigencies of life' the premium payments would be substantial. It appears to us that under such a scheme, the people who were without children would have to help pay the premiums on policies allotted to children born to other parents.

This proposal opens the very interesting problem as to when a child arrives at 'economic independence'. Who is to decide? Are State officers to be appointed to check on each child to see that the State is not called upon to pay the premium, when the responsibility for payment becomes the legal duty of the child?

In view of the fact that under clause 4 which makes the State responsible for the payment of premiums, some explanation is needed in regard to the following clause 5 which says a 5 per cent subsidy must be paid by the State upon all life assurance premiums taken with approved societies.

Who is to receive this subsidy -- the payer of the premium or the approved society? Who will determine the premium payable, and on what basis will it be calculated? It is not stated whether the endowment policy is for a specified period of years, or whether it goes on until the death of the assured child.

Seeing there is no certainty as to the period for which the policy will be in force, and that it will be difficult to determine what 'all the exigencies of life' will be, premiums could not be calculated on the actuarial basis now used by existing life assurance offices.

Information is needed to indicate the 'encouragement' that is to be given to approved mutual life assurance offices to 'form subsidiaries to enter the banking field', and for the 'mutualisation of industry'.

We have not the time to deal with all the proposals in the OUTLINE, but it is interesting to note that whilst condemning State control, it sets out to in a lavish way, to dominate the life assurance and banking societies. Finally it is proposed to control industry, 'preferably the retail trade, and by means of competition to abolish the existing industrial system'.

However, one freedom is granted in regard to life assurance -- 'the parents are to have a choice of policy between offices' but working men 'who now pay little or no life assurance, will have a choice between paying income tax or building their own retiring allowance virtually free'.

LIBERTY, FREEDOM: What crimes are committed in thy name!

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