

Henry George and the Australian Economic Association: On Land Ownership and Land Taxation

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Abstract: The ideas of Henry George on land ownership and land taxation were vigorously debated amongst members of the Australian Economic Association, founded in Sydney in 1887. The visit of George to Australia in 1890 for a three-month lecture tour gave further stimulus to the debate. Some of the members strongly supported George, but most were opposed, for various reasons: economic and ethical. However, there was a surprising degree of support for the principle of land nationalisation. This paper summarises the main arguments, for and against, and asks whether they are relevant to the problems of land speculation, land taxation and the affordability of urban land today.

Introduction

When Henry George's *Progress and Poverty*, 1879, became available in Australia, it created considerable interest amongst members of the Australian Economic Association (AEA), as well as throughout the wider community. The AEA was founded in Sydney in 1887. Its foundation followed that of the American Economic Association in 1885, preceding that of the British Economic Association (now the Royal Economic Society) in 1890. The 185 original members of the AEA included academics, politicians, journalists, businessmen, public servants, solicitors, barristers, statisticians, surveyors, teachers, architects, students, insurance clerks and other clerks. The Association was active until the end of 1898, but was dissolved early in 1899 because of declining membership, lack of funds and rising debt. Meetings were at first fortnightly, becoming monthly from September, 1888, and were held at a succession of locations in the centre of Sydney.

Papers were presented on a range of topics by a variety of speakers, and discussed by the audience, usually at subsequent meetings. Reports of the papers and the discussions were published in the *Australian Economist*, the official journal of the AEA. Its first issue was on 3 March 1888, and its last on 22 December 1898. The first ten numbers from 3 March 1888 to 4 August 1888 were published fortnightly; and from September 1888 (Vol. I, No. 11) it became monthly, corresponding with the meetings. The editor of the early numbers is unknown. From about number 10 until the final number in 1898, the editor was A. Duckworth,¹ who had also been the initial secretary of the AEA in 1887–8. In all, 126 numbers were published, grouped into six volumes.²

In 1986 the entire run of the *Australian Economist* was republished in a facsimile edition in two volumes by the Economic Society of Australia and the Economic History Society of Australia and New Zealand and edited by N. G. Butlin, V. W. Fitzgerald, and R. H. Scott.³

A number of papers dealing with Henry George and the land question had been presented at meetings of the AEA and published in the *Australian Economist* before the start of his lecture tour of Australia in 1890.⁴ His visit stimulated further papers and discussions on the land question within the AEA and throughout Australia. An editorial in the *Australian Economist* on 23 October 1890,

acknowledged that his visit 'has undoubtedly given a great impetus to the development of an Australian school' (II.8.74).

At the meeting held on 4 February 1890, just prior to George's arrival in Australia, the AEA resolved to give him a 'cordial welcome as "the greatest Economist who has determined upon visiting Australia", and to invite him to accept election as an Honorary Member of the Association' (I.27.217).⁵ George accepted the invitation (II.1.14), but there is no record of his ever having addressed or attended a meeting of the Association. S. J. Butlin states: 'the Association failed to get him as guest speaker' (1986, p. xxiii). In the absence of documentary evidence, we can only speculate on the reason for George having not addressed a meeting of the AEA. The reason is not likely to be fear of public debate and controversy. His Australian tour included a public debate on free trade versus protectionism with W. Trenwith, MLA, an ardent advocate of protectionism, in the vast concert hall, filled to the door, of the Exhibition Building in Melbourne, a strongly protectionist city. In 1877 he had vigorously denounced the status of conventional economics in an address to the economics faculty at the University of California and in 1884 he had no qualms about confronting a hostile Oxford Union and Alfred Marshall (see Stigler 1969, pp. 217-26). Nor is the reason likely to have been an inflexible itinerary. The Australian organisers of his tour committed him to a busy tour – he gave 48 lectures and 9 Sunday sermons in 34 cities and towns during his 98-day tour, as well as numerous newspaper interviews and short responses to speeches of welcome. It should be noted, however, that the itinerary proved to be flexible, with some lectures deleted and others added as the tour progressed.

One possible reason could have been the inflexibility of the AEA meeting dates. The meetings were held on the first Tuesday of the month. With the extensive travelling schedule planned for George, it might have been difficult to find a first Tuesday when he was in Sydney and free from scheduled commitments. There were only three possible dates. On Tuesday, 1 April, he was lecturing in Echuca; on Tuesday, 6 May, he gave his fifth lecture in Sydney, at the Protestant Hall; and on Tuesday, 3 June, he and his wife left by train from Sydney for the last time on their way to Melbourne where they boarded the ship to Europe.

Another possible explanation might have been that two leading Georgist supporters, E. W. Foxall⁶ and John Farrell⁷, had addressed the AEA in the year preceding George's visit. Foxall was the secretary of the committee responsible for inviting George to Australia and for organising his programme of lectures. It is not known how much freedom was left to George to accept or reject invitations for lectures. Perhaps Foxall and his committee decided that the best way for George to propagate the Single Tax message was to speak to larger gatherings than to smaller select groups such as the AEA. This seems to have been George's personal preference also. In a letter from Australia sent for publication in his New York newspaper, *The Standard*, he said that he would have preferred to spend more time talking to large groups and less time in small country towns.

Whatever the reason for George not addressing the AEA, the fact that it did not happen is regrettable, as a debate with members of the AEA would have been a very spirited event. Of the members whose views were published in the AEA, only a few supported George's theories and policies. Some showed respect for his efforts, and admiration for some aspects of his ideas, but others expressed vigorous hostility. Duckworth, for example, doubted George's status as a political economist – 'I am not satisfied that all which George's disciples in our midst claim for him, can fairly be conceded' (I.27.220) – and he thought that George's right to

be deemed a political economist and to rank as a ‘Scientist (pure and simple)’ had yet to be fully tested. He suggested that George was more of a writer of utopias than a scientist: ‘One is inclined sometimes to wonder whether posterity will class his best-known work with More’s “Utopia”, Bacon’s “New Atlantis”, and Cabet’s “Voyage to Icaria”’. Nevertheless he described George as a ‘distinguished writer’ who had ‘a strong claim on our attention whether we do, or do not, agree with his teaching’ (I.27.220).

Admiration mixed with criticism also came from W. H. Chard, who said that George ‘judged from a critical and scientific standpoint, was deficient in many ways. Yet he had thrown a new and powerful light on intricate subjects, and was particularly successful on the land question’ (II.1.19).

A. Forsyth⁸ (a vice-president of AEA in 1890) at first expressed himself in a similar tone of moderate respect, declaring that he was ‘not an unbounded admirer of Mr. George’s writings’, but he thought that George ‘was entitled to be considered the first Economist of the day, especially on the question of Wages and Capital’ (I.27.217). But his later comments on George and the Single Tax had a different tone. He described the Single Tax as ‘sheer robbery’, and asserted that it ‘has disgusted every intelligent man possessed with the instincts of justice’ (II.1.1). He regarded the arguments of the Single Tax advocates as ‘fallacious and deceptive’ (II.1.3), and as ‘barbaric proposals, which should ... have emanated from barbarians’ (I.27.217). He described George’s policy of land taxation without compensation as ‘a barbarous act of robbery and spoliation’ (II.1.6).

Vigorous denunciation also came from other members of the AEA. L. F. Heydon⁹ described the Single Tax as ‘a miserable quack remedy which was no remedy at all’ (I.27.218). Writing five years later in 1895, he blamed the strikes and depression in Australia in the 1890s on Henry George and Edward Bellamy:

All this disaster is directly and mainly due to the disturbance to labour and the discouragement of capital caused by Henry George’s and Bellamy’s socialistic doctrines, and to the depreciation of the selling value of land caused by Henry George’s special doctrine as to the confiscation of land. (Heydon 1895, p. 425; quoted in Goodwin 1966, p. 132)

Heydon described George’s ideas as ‘this dishonest and destructive doctrine’, and as a ‘shallow and silly and palpable’ delusion (1895, p. 427). He argued that the three main claims of ‘Georgianism’ were: that it would cheapen land; that it would prevent the accumulation of land in a few hands; and that it would stimulate the productiveness of land. But, he argued, on each of their claims George’s ideas were wrong.

W. G. Cameron was also decidedly uncomplimentary: ‘I consider Mr. George the most egotistical writer that I have ever consulted on economic questions’ (II.3.35). But perhaps no member of the AEA was more vigorously opposed to George than W. J. Hynes. He described George’s theory as a ‘charlatanic economic nostrum’ and declared that ‘it is the business of this Association to proclaim aloud that there is no foundation for an economic doctrine of an Australian unearned increment of land value due to the State’ (IV.18.518; IV.19.525).

The principal themes of George’s theory were that the value of land and other non-man-made natural resources should, for ethical as well as economic reasons, be shared equally, and that this could be achieved by requiring those who held the legal titles to land to pay an annual tax based on the unimproved value of their land, that is, the market value of the land excluding the value of the improvements attributable to the landholder. He argued that the revenue raised by

this tax would be sufficient to meet all the expenses of government, and that for ethical and economic reasons it was the only justifiable tax. All other taxes should be abolished, and there would be no exemptions or compensation for current landholders, even if recent purchasers.

This paper provides a summary of the main arguments raised at the AEA meetings. It attempts to analyse the strengths and weaknesses of the arguments, and to ask whether the views expressed in the pages of the *Australian Economist* deserve to be taken into consideration today by those who wish to advocate either a Georgist, or an anti-Georgist, or a modified 'neo-Georgist' approach to the modern problems of land ownership, land speculation, land taxation, and the price and affordability of land.

The reactions of members of the AEA to George's policies are divided, to facilitate presentation, into two categories: section 1, the economic issues; and section 2, the moral issues – although, as the commentators often linked the economic and the moral in the one sentence, some overlapping has been unavoidable. Section 3 deals with the arguments on land privatisation and land nationalisation. Section 4 deals with several other aspects of the debate – the incidence of a land-value tax; the relation between wages and capital; land-tax exemptions; and a variation on the land tax proposal of J.S. Mill. The paper concludes (section 5) with comments on the relevance of some of the main issues raised by AEA members to modern problems of land ownership and land taxation, and to their particular applicability to Australia.

1 Land-Value Taxation and the Single Tax: The Economic Arguments

Debate on the economic advantages and disadvantages of a land-value tax and the Single Tax took place throughout the life of the AEA, as seen in the pages of the *Australian Economist* from 1888 to 1898. There were two main papers in support of George: one by Foxall, entitled 'The Principles of Taxation', presented at a meeting of the AEA on 1 May 1888, and published on 12 May 1888 (I.6.42-6); the other by Farrell, entitled 'Land value taxation', presented at a meeting on 3 September 1889 and published on 23 September 1889 (I.23.180-4).

Foxall assessed the practical advantages of a land-value tax and the Single Tax by comparing them with Adam Smith's canons of taxation. After outlining the disadvantages of other forms of tax – indirect taxation, income taxation, taxation of personal property and taxation of improvements on land – he put forward the advantages of taxation on land values, irrespective of improvements. Foxall claimed that, amongst other things, a land-value tax was the only tax which did not discourage production but stimulated it; which could not be passed on; which could not be evaded by smuggling; which left to everyone the whole product of his labour; and which could be collected with minimum cost and maximum certainty.

He argued against the taxation of improvements, claiming that it would provide tax relief for vacant land and would therefore increase the value of vacant land. However, he also supported the 'full local option' for each local government district, leaving each to decide whether to tax the unimproved or the improved values, rather than making it compulsory to levy the tax on the unimproved values. In his view 'Every true liberal will agree that this is as it should be' (IV.9.442). Foxall believed that, if the theory George put forward was correct, 'it affords a comprehensive solution of the manifold ills and inequalities of society' (I.6.42-6).

Foxall's paper was debated at the following meeting on 15 May 1888, with criticisms and comments briefly published in the *Australian Economist* on 26 May. Foxall replied 'a vigorous and interesting speech', admitting that the criticisms were fair (I.7.49). But as the pages of the *Australian Economist* show, the debate continued unabated throughout the life of the AEA.

Farrell's paper repeated and endorsed Foxall's account of the practical advantages of land-value taxation, but devoted more emphasis to the moral issues, as will be shown in section 2.

George received support from J. A. Hendry, who made a strong case not only for a land tax, but for taxation in general. He believed that a general land tax could not be evaded, and would be financially desirable. It would raise revenue for public purposes and, by forcing idle land into use, it would stimulate production and wealth, offsetting the portion of the land value confiscated by the tax. In what amounted to a rare eulogy of taxation, Hendry argued that taxation was a benefit:

Taxation by the State was a benefit; without it we could not obtain a public revenue, or have the services performed for us which were now expected of the Government, though perhaps not so economically as they might be. (III.7.339)

He also advocated what would now be called contracyclical budgeting, arguing that the surplus tax revenue in good years should not be spent, but should be kept in reserve to equalise the state's revenue over good and bad years (III.7.339).

The first significant critique of George to appear in the *Australian Economist* was a paper by Duckworth published in February 1889 (I.16.123-7).¹⁰ Entitled 'The land question, its development, and the teaching of Henry George', it contained a scholarly survey of views on land tax by earlier writers – John Locke, François Quesnay, J. S. Mill, Henry Sidgwick, E. G. Wakefield – and gave a summary of existing land legislation and land taxation in Australia. Duckworth supported the principle of land taxation as a means of preventing the accumulation of large estates and the formation of monopolies:

There is imminent danger of the formation of a huge monopoly ... It is not pleasant reading to find that estates have accumulated of freehold land to the extent of 200,000 acres. (I.16.126)

He also deplored the gift of 1,000,000 acres of freehold land to the Australian Agricultural Company, and declared that 'the sooner a tax is placed upon freehold land, both urban and rural, the better for the community'. He also described the sale of 20 miles of the foreshores of Sydney Harbour at £10 per acre as an 'immoral proceeding' that should not be tolerated in the future (I.16.127).

Although others confidently asserted that it was impossible for any valuer to determine what proportions of land value came from its various causes, Duckworth was not so pessimistic:

That there was considerable difficulty might well be admitted, but hope of a reasonable solution need surely not be relinquished. (IV.18.517)

However, although supporting land taxation in principle, he argued that to apply it to present owners without compensation, as George proposed, appeared 'inequitable and utterly impracticable'. It would in effect mean that the state was confiscating the land it had sold: 'The State having once relinquished its rights to the land, cannot without injustice arbitrarily re-invest itself' (I.16.125). He also opposed the idea that a land tax should be the only tax, arguing that an equitable tax

system required a composite scheme of taxation on all three factors of wealth production. Those who invested in other ways should not have an unfair advantage over those who invested in land (I.16.125).

Duckworth supported a moderate tax on land values: it would reduce undue speculation, prevent the cramping of country towns, and increase production by increasing the quantity of land brought into use; but he warned of the adverse effects on production of a high level of land tax. George had argued that a land-value tax would not affect production, but Duckworth disagreed: 'It was incorrect to say that the production of wealth would not be interfered with if the land were taxed up to its full value'. He gave the example of Scottish insurance companies that had invested in Irish land, and had been adversely affected by the fall in prices of land because of special land legislation in Ireland. Duckworth also proposed that a distinction should be made between city and country lands. The idea was not reported in full detail, but he presumably intended a differential rate (I.24.191; III.8.349).

For Duckworth, the 'real and difficult question was how to appropriate the "unearned increment" arising from the growth of population in the case of town lands' (I. 24.191); and he believed that most members of the AEA would agree that the Single Tax was impracticable (III.8.349).

Another significant critique was contributed by Forsyth, who rejected George's Single Tax on practical as well as moral grounds. He estimated that, for a single tax to provide the revenue required in New South Wales, it would have to be levied at a rate of 84½ per cent of the annual value of the land. He believed that 'All the different classes of wealth should be assessed for taxation' (I.24.190) and that all realised wealth should be required to pay tax (I.27.217). He regarded an income tax as the fairest, provided that the first £250 was exempt (I.24.190).

However, he approved of a system of land-value tax based on unimproved value as a source of revenue for local government – a system which he thought was 'within the range of practical politics' (II.1.1). He gave a detailed estimate of the rate at which such a tax would have to be levied in order to raise the required municipal revenue; and he listed its three main advantages: (1) owners of unused land would pay a due share; (2) unused land would be forced into use; and (3) settlement and improvement of municipalities would not be obstructed. He thought the only disadvantage would be a tendency to build on allotments of inadequate size; but that this could be prevented by regulation. Although he approved of a land-value tax for municipal revenue, he regarded it as inequitable for general revenue (II.1.3).

He also thought that a special tax could be imposed on mines: 'mining properties which were paying handsomely could fairly be specially taxed without injustice' (I.24.190). There might have been some inconsistency here, as a tax on miners is a land-value tax, where 'land' is used in its wider sense.

However, as outlined below, Forsyth was a strong advocate of land nationalisation, with compensation. One of his reasons for opposing the Single Tax was that it would delay land nationalisation for a hundred years (II.1.1).

Strong objections to George's ideas were also made by Andrew Garran.¹¹ He argued that if property was to be taxed, then the tax should apply to all forms of property, and there was no reason for improvements on land to be exempt (III.7.339). He believed that the best tax system was one that contained a moderate tariff, a tax on landed property, and an income tax.¹² Such a system, he thought, would distribute the burden of taxation 'as fairly as it can possibly be done', and would have the additional advantage that in a time of difficulty the revenues from the different sources could be adjusted – 'This comes as near to a scientific

adjustment of taxation as we can well have it'. He admitted that to levy a land tax separate from an income tax would involve a duplication of the tax-collecting machinery, but he also made the notable assertion that a separate land tax 'admits of a more equitable distribution [of the tax burden]' (IV.11.457).

Garran argued that George's policy of an equal sharing of the world's natural resources would be practicable only if there was a common world government. It could not be achieved if national boundaries existed; but to allow each nation exclusive enjoyment of its own land value, without sharing with other nations, would be to depart from George's fundamental principle of equal rights to the earth's resources. Garran further argued that, even if the fundamental principle was modified so that the land values of any nation were confined to that nation, an equal share for every individual in the nation would not be ensured, because 'in bad governments there is jobbery, and in good governments there are inequalities in the services rendered to the separate members'. He added that 'inequalities cannot be prevented and individuals are impotent to protect themselves'. He concluded that 'the strict theory can never be carried out, and the best that can be done is to make a rough approximation to an impossible ideal' (II.3.31-2).

A further reason for the impracticability of George's policy, according to Garran, is the strength of popular attachment to the concept of private property in land. He interpreted George as saying that the state should own all land, and that 'private property in land was inequitable and a violation of the interests of Society'. Garran doubted whether 'the doctrine that it was not right for a private person to hold land or withhold the use of it, could be carried out' (I.24.190).

It was a central theme of George's policy that, because land is a natural resource and because its value is not created by the private titleholder, its value should be owned publicly and shared equally. Garran said that this proposition is unsustainable, because it is impossible to disentangle the various causes that contribute to the increase in land values:

That increase ... has been partly due to public expenditure in railways, partly to the enterprise of the owners, partly to the enterprise of other people, partly to the general increase of population and wealth, partly to the foreign market for our produce... It is quite impossible for any valuer to determine what proportion of the value of land has arisen from the different causes that affect it. (IV.11.457)

Garran argued that the problem of disentangling causes was of no concern for the Single Taxers, because the 'theory of the single tax is that whatever the cause may be, the increment in value belongs by equity to the public' (III.11.400). On this point Garran had clearly misrepresented George's position. George expressly argued that any increase in the value of land that was caused by the landholder should remain the untaxed property of the landholder. His aim was to tax the unimproved value, not the improvements made by the landholder.

Georgists would probably admit the impossibility of disentangling the causal influence of the other factors mentioned by Garran – population growth, economic growth, foreign demand, and so on, – but would probably respond by saying that it is not necessary to effect such causational disentanglement. It is sufficient to distinguish the value attributable to the landholder from all the other causes outside the landholder, and to argue that what has not been created by the landholder should belong to society, not to the landholder. Experience in countries like Australia, where the calculation of unimproved values is a regular practice,

shows that modern valuation procedures can establish this distinction with an acceptable degree of accuracy.

Other criticisms of the economic aspects of George's policies were expressed, either in papers or in discussions on papers, by S. A. Byrne, D. Carment, W. H. Chard, L. F. Heydon, J. Hurst (junior), A. Martin, Professor W. Scott, R. Teece, and J. T. Walker.

Byrne doubted whether the revenue from a land tax for municipal or general purposes would be as efficacious as many seemed to think (I.25.199), and he thought that George's land-value tax would not be politically practical, because 'the vested interests in opposition to the principle were too strong' (II.2.26).

Carment thought that George had shown the existing evils, but argued that George's remedy was 'illusiv^e and could not be put into practice' (I.24.191). He argued that land in its pristine condition had no appreciable value, and that its value is due to the expenditure of labour on it, either directly, or indirectly by improvements to its surroundings. He regarded land as only one form of capital, and he believed that the 'fallacy ... at the bottom of all Henry George's erroneous theories' was the idea that land is 'different in essence from other property'. In Carment's view, 'property in land did not differ from other property'. In one place he said that he approved of a land tax, but only as part of a land-and-property tax. In another place, he said that 'in order that justice might be done, an income tax should be combined with a land tax' (II.13.117; III.7.339; IV.18.518).

Chard thought that a tax on land 'possessed many advantages'; but believed that it was unfair for land to bear all taxation, and that it would be a mistake to dispense with all other taxation. Other taxes that he recommended were stamp duties, income tax, and taxes on spirits and wines. He thought that even working men should pay some taxes (I.25.199).

Heydon did not accept George's fundamental distinction between unimproved land and improved land. In Heydon's view, 'the whole value of land was the result of human labour, and there was no such thing as unimproved value' (II.2.27), but the arguments upon which he based this view were unfortunately not reported.

Hurst approved of a tax on the unearned increment of land – a tax he described as most equitable and expedient – but argued that if land had been purchased from the state, its value at the time of purchase included its prospective increase in value. To tax it therefore would be immoral confiscation. He therefore proposed a land-value tax that would apply only to *increases* in land value, similar in some respects to the tax proposed by J. S. Mill. (For further details, see below). Hurst put forward his land tax not as a Georgist *single* tax, but in combination with customs and excise taxes, levied for revenue, not for protection, purposes. He did not approve of income taxes, which he regarded as 'a class impost on the wealthy', and as a form of class discrimination and class tyranny exerted against the wealthy by 'the £3-a week majority' (III.3.305).

A. Martin (President of the AEA in 1888) thought that a land tax was a just measure, and one that would have 'some effect in preventing aggregation of large estates', but he thought that an income tax was 'the only mode of reaching many large incomes at present enjoyed free of taxation' (I.7.49).

The Georgist distinction between land and capital was also rejected by Professor Scott.¹³ Land, he argued, 'may be included under capital in the widest sense of the word', and the 'central defect of Henry George's theory seems to me to lie in the hard and fast line which he draws between land and capital ... I have

never seen any reasonable argument offered in support of this distinction'. He therefore objected to George's policy of taxing the man who invested in land, but allowing the man who invested in capital to be free of tax (II.13.117-18).

Teece¹⁴ used one of Adam Smith's canons of taxation to oppose the single nature of the Single Tax. Teece argued that there should be a tax on land, and that the tax system in England was inequitable because land did not bear a fair share of taxation, with the result that the masses bore the brunt of taxation, and were 'burdened by oppression' (II.2.26). But he did not agree that land should bear the entire burden of taxation. Adam Smith had said that a person's tax should be in proportion to the protection received from the state; but the merchant received as much protection from the state as the landowner. Teece further objected to George's land-value tax on the grounds that it would not necessarily be proportionate to the taxpayer's ability to pay: 'the tax would be imposed irrespective of whether the tax payer was able or unable to meet the demand' (II.2.26).

Walker said that George's proposed single tax was 'inequitable, impracticable and insufficient, unless aided by customs duties' (I.24.190) – a view that would have offended George's free trade policy as well as his land reform policy.

Thus, although some members of the AEA, notably Foxall, Farrell and Hendry, strongly supported George on the practical advantages of land-value taxation, most of those reported were generally critical. Some opposed any form of taxation on land; some approved of it only if existing owners were exempted or compensated; others approved of it only as part of a package of taxes, not as a Single Tax; others opposed the Single Tax on the grounds that it would not raise sufficient revenue; and for others the main objection was that land value exclusive of improvements could not be measured, or that for other reasons the idea was not practicable.

2 Land-Value Taxation and the Equal Right to Land: The Moral Arguments

As would be expected, Foxall and Farrell, being supporters of Henry George, subscribed to the notions of natural rights and of a moral or natural law superior to human or political law. Foxall argued:

outside of and above all human laws there exists a code, or standard of right, by which all human laws are tested ... to deny this would be to invest the framers of human law with infallibility for the time being. (I.6.43)

He described the landless members of society as 'practically trespassers' on this planet, who 'in order to secure the right to a foothold on the earth' were forced to become 'the partial or total slaves of others'. They were obliged to pay a portion of the product of their labour for the privilege of producing (IV.9.441-2).

The moral case for land-value taxation was put even more strongly by Farrell. Although he gave (I.23.182-4) a long and detailed account of the practical economic advantages of a tax on unimproved land values as a means of raising necessary revenue for government requirements, he insisted that the case for the single tax relied mainly on equity grounds: 'The strongest appeal is not to be made in the name of political economy, but in that of jurisprudence' (I.23.183). He argued that the principle of private ownership of land meant that the land of a country could be fully appropriated by a part of the community to the exclusion of

all others, so that the others must compete to pay rent or leave the country. This, he said, 'is as palpably an infringement of individual liberty as was the institution of chattel slavery ... there is little difference between buying men themselves, and buying the land upon which alone they can live'. In fact, he argued, the owner of land was in a stronger position than the owner of slaves:

Private ownership of land confers on one class the power which the institution of chattel slavery conferred – that of taking the earnings of other classes, while it frees them from any responsibility whatever towards those classes. (I.23.184)

For Farrell, land ownership and slave ownership were equal infringements of human freedom:

Freedom cannot be found where one man, without labour of his own, has a lawful lien upon the labour of others. (I.23.184)

those who secure the most desirable portions of land obtain an unjust advantage over other members of the community having equal rights with them. (I.23.183)

Farrell argued therefore that the case for taxing away the unearned increment of land rested not merely on economic considerations:

apart altogether from any thought of the effect for good that may result, it is a measure of simple equity which in the name of truth and honesty must be granted. (I.23.184)

He concluded:

It is incumbent upon all who are concerned for the well-being of their fellows to give close attention to this question of taxing away the unearned increment of land. (I.23.184)

However, Farrell made an interesting comment on the unearned increment argument. Henry George, and his supporters generally, based the moral justification for land value taxation, at least partly if not essentially, on the argument that increases in land value were created by forces outside the landowner and that therefore they should not belong to the landowner. Farrell also made use of this argument; but in his paper in the *Australian Economist* he made the important reservation or concession that the unearned increment was 'but one part' of the argument for land-value taxation 'and by no means the strongest'. He noted that unearned increments could still attach to other commodities even if George's land and tariff reforms were fully implemented (I.23.184). This is a variation of the Georgist theory that is not usually acknowledged or addressed in the Georgist literature.

Farrell's paper was discussed at the meeting of the AEA on 1 October 1889, with the discussion reported in the *Australian Economist* of 22 October (I.24.189-91). The discussion was opened by Garran (President), who was followed by Forsyth (one of the two Vice-Presidents), Walker (the other Vice-President), Duckworth (Honorary Secretary), W. R. Riley and Carment. The discussion was of 'an animated nature', and had to be adjourned until the next meeting, when further arguments being presented by B. C. Boake¹⁵, S. A. Byrne and Chard (I.25.198-9). The editor provided the following summary of the general opinion of the members:

From the opinions generally expressed it is evident that the members who have taken the trouble to examine this proposed remedy for present-day evils are dubious as to the sufficiency and justice of Mr. George's proposals. (I.25.198)

It is not known whether Farrell was invited to respond, or whether he ever requested an opportunity to respond.

The claim that land-value taxation is based on justice, morality and natural rights was attacked by Garran in a paper on 'Henry George and the scientific method', read at the meeting of the AEA on 4 March 1890, and published in the *Australian Economist* (II.1.17-19) on 20 March 1890. Garran recognised that George did not base his policy on justice alone, and that George also deemed that his policy was 'wise', that is, that it was based on the facts of human experience. Garran approved of the latter approach, arguing that it conformed strictly to the scientific method. He rejected any attempt to establish a moral or theological justification for land-value taxation. Such an attempt, he said, substituted the 'theological method' for the scientific or Baconian method. He accused George of pretending to expound 'the opinions and intentions of the Creator'. According to Garran, there could be no proof of the existence of inalienable rights, and the only way of knowing the intentions of Providence was to find out what is good for human society.

Not content with denying the existence of inalienable rights, Garran put forward the argument that, if there was an inalienable equal right to land, it would have some unacceptable consequences. First, if every newborn child had an equal right to land, the land enjoyed by others would have to be reduced, and they would be entitled to resist the reduction in the same way as a trades union restricted apprentices. According to Garran, this could lead to infanticide or the state regulation of marriages.

Secondly, according to Garran, the principle of equal rights to land meant that national territorial divisions would be impossible, and would be against the law of God. The Chinese would have as much right to Australia as we have, and we would have as much right to America and Europe as Americans and Europeans have (II.1.18).

Garran insisted that there should be a clear separation between economics and ethics, that arguments about the 'supposed decrees of eternal justice' were irrelevant to economics; that 'as economists we should drop all that talk about natural rights'; and that 'within the circle of social economy there are no inalienable rights' (II.3.32). He described inalienable rights as 'pure assumptions, we can never prove them, and they never form part of scientific Economics' (II.1.18-19).

With reference to the specific natural right asserted by George, namely, the right of every living human creature to an equal share of the earth's resources, Garran asserted that 'no such right can be proved as against the State' (II.3.33).

As noted above, Garran invoked the existence of national boundaries as an argument against the feasibility of an equal sharing of the world's natural resources. He also used this idea in his attack on the Georgist claim that the equal right to land was a natural right. A system that could not possibly be implemented, Garran argued, could not be a natural or divinely-ordained right.

Instead of seeking to resolve the land question by an appeal to natural rights, Garran advocated a utilitarian or consequentialist methodology, namely, 'we should ... seek to find out what was best for human society ... [and what] will lead to the best social and economic results' (II.3.32). However, he weakened his argument – some might say, contradicted it – when in the same context he proceeded to proclaim the existence of the 'right' to national sovereignty; and the 'right' of each community to establish its own land laws:

Each nation as such has a right to determine this question [of the single tax and of private rights to land] for itself. (II.3.32).¹⁶

He stopped short of declaring that this right of national self-determination is 'inalienable', but he asserted that it was 'not overpowered by any claims which anybody may set up to inalienable rights' (II.3.32). He rejected the right of equal ownership of natural resources because it was not based on empirical evidence, but he did not provide any empirical evidence to support the right of national sovereignty.

A further point raised by Garran against the existence of an inalienable right to land – a point that was more of a clever debating point than a point of substance – was that if such a right existed and was capable of being implemented, then it ought to be clear enough for even plain laymen to see it, and not 'wrapped in impenetrable fog' (II.3.32). Garran did not advert to the fact that some institutions now regarded as basic, inalienable human rights – such as the right not to be a slave, and the right of one person one vote – seem to have been wrapped, at other times and places, in impenetrable fog. He did not advert to the distinction between human rights and the evolution of human consciousness of those rights, based on society's accumulated experience of different modes of social organisation.

Some of the arguments deployed by Garran to deny the existence of inalienable individual rights were somewhat lacking in relevance and/or persuasiveness. In his view the rights of individuals were not inalienable, but were created by the community, and 'the corporate claim overrides the individual right'. To illustrate this point, he cited the right of the community to monopolise a nation's water supply, or to give companies the right to do it, and to require individuals to pay rates for the use of water. Garran presumably intended this as a refutation of the right of all to an equal share of a natural resource, like water; but his argument failed to consider the distinction between rainfall as such, or its unimproved value, and the improved value of the water delivered to users after the expenditure on improvements of dams, and reticulation networks.

As further support for the primacy of community rights over individual rights, Garran cited the power of government to restrict the movement and actions of individuals in order to safeguard public health, or in wartime situations. But in appealing to emergency situations as a guide or principle for the determination of the desirable balance between individual and common rights, and/or as an argument for denying the notion of an equal right to land, he appears to have taken up an extreme position.

Although Garran raised some reasoned arguments against George's use of the concept of natural rights, he appears to have pushed some of his criticisms to unwarranted lengths. He suggested that, if you supported George's principle of equal rights to land, any landless man could legitimately claim part of the garden of your house, or could claim an aliquot share of the land of the nation – whereas Garran must surely have been aware that George was asking for an equal share of land value, not of the land itself. Garran also suggested that George was advocating some form of violent overthrow of the law, and that George was proposing that individuals should 'rise in insurrection' against the property laws that the community had established – whereas he must surely have been aware that there was no evidence of such 'insurrectionary individualism' in George's writings, and that George's aim was that the property laws should be changed by democratic, community consent (II.3.32). The trivial and unfair nature of these arguments detracted from the more challenging aspects of Garran's comments on natural rights.

An observation made by Garran towards the end of his paper on 21 May 1890 could have an important implication for George's system, although Garran did not explicitly draw out the implication, and perhaps did not realise its

importance. George had argued, using a labour theory of property, that the products of human labour should belong fully to the labourer and should not be taxed; whereas the value of land was created by the community, and therefore should belong to the community, and should be the only source of government tax revenue. Garran asked (rhetorically):

From our birth onwards, how much do we all owe to the social institutions which we individually have done nothing to establish, and have done very little to sustain ... (II.3.33)

The implication of this observation, the validity of which cannot be denied, is that the so-called products of individual labour are not the products of individual labour alone, but are in part produced by social forces, one of which is government. It therefore follows, contrary to George's policies, but in conformity with his labour theory of property, that if society has 'laboured' in conjunction with the labour of the individual, then society has a moral right to take through taxation some part of the product of the individual producer. In other words, it follows that some degree of income tax is ethically justified, and his argument that a land-value tax is the only tax that is morally justifiable is flawed. The moral sanction that George attributed to the singleness of the Single Tax disappears.

As a further argument against George's 'unearned increment' argument for taxing land values, Garran contended that the increase in the land value of cities was not in fact an *unearned* increment; it was the incidental result of the combined labour of thousands of people pursuing their own interests. There was no way of determining who was responsible for what, but the increment 'is as much the result of human labour as if it had all been achieved by one man'. He argued that there was no *a priori* law, or revealed command, or inalienable right by which the increment should be divided equally between all; and the question of whether it became the property of the nation was a question of 'public expediency' (II.1.18-19).

Garran argued that one cause of the agitation for land nationalisation – in which he included land-value taxation – was 'jealousy of the "unearned increment"' in town allotments. This seems to imply that he was not opposed to, perhaps even approved of, the private acquisition of the increment enjoyed by owners of town allotments. But, paradoxically, he also criticised a similar increment that accrued to mine owners: 'Neither capital nor labour deserved the reward which such a mine as the great Broken Hill property was giving' (I.24.190).

Garran, and others,¹⁷ were especially critical of what they perceived to be the immorality and injustice of George's refusal to grant exemption or compensation for landowners who had bought land from the state. Garran argued that if a land tax was imposed on such land, the original purchase price should be excluded from the land value in calculating the tax payable:

If the Government sells the squatter land at a pound an acre, and the same land apart from its improvements is now worth two pounds an acre, the increment to be taxed is obviously only one pound an acre. To treat the whole value as increment might be worthy of a Turkish Pasha, but would not be worthy of a Government professionally aiming at equity ...

The increment can never in equity include the original price for which the Government parted with the land. (IV.11.456, 457)

He considered that it was inequitable for the state to tax away the value of millions of acres of land that it had sold to private owners, especially given that it was

already taking by tax some of the value of municipal lands to pay for roads, streets, and so on (I.24.190).

It is interesting to note that, although as stated above Garran had strongly opposed the use of ethical arguments in economics, he made vigorous use of them in the debate on the compensation question, as well as on the question of national sovereignty, noted above.

Garran's attack on the concept of natural rights was supported and emphasised by Scott, who described appeals to natural rights, or fairness, or other abstract standards of justice, as a 'delusion' or a 'pseudo-metaphysical theory' which had 'no real principle behind it'.

A fair wage, a fair profit, either means the market rate of wages, and profits – in which case it would include the starvation wages paid by London sweaters – or it has no meaning at all. (Scott, II.6.60-1)

Scott argued that in the region of such unreal abstractions, the assertion of one person was 'worth just as much, or as little, as the contradictory assertion' of another. He insisted that the standard of fairness or justice was the public good, or the well-being of society, not some supposed natural right.

Scott also emphasised the role played by the state in assisting the accumulation of capital by private individuals, and the resulting inequalities of wealth. He referred to state institutions that established and enforced the laws of private property and the laws of bequest and inheritance; that permitted individuals to use their savings as capital; and that allowed capitalists 'to get a share of the products of other men's labour without further labour of their own' (II.6.60-1). He argued that these institutions were not inevitable and immutable; they were made by men and could be altered by men.

In the discussion following Garran's reading of his paper on 4 March, Heydon argued strongly against Garran in favour of the existence of inalienable rights:

There were undoubtedly inalienable rights – the rights of the individual existed before Society was instituted, and Society was necessary to conserve such rights rather than to destroy them. (II.1.19)

and he cited the American Declaration of Independence with its assertion of the inalienable right of all men to be free and equal.

Heydon continued his response to Garran in a strongly worded paper entitled 'The Doctrine of the Merger of the Natural Rights of the Individual in the State: the Death of Liberty', presented at the following meeting of the AEA on 1 April, and published in the *Australian Economist* (II.2.23-5), 21 April 1890. Heydon stated that in this paper he was concerned, not with 'one particular natural right described by Mr. George' – presumably the equal right to land – but with Garran's denial of all individual natural and inviolable rights, and with the claim that individual rights were granted by society and could be alienated by society. He described that claim as the 'cruel and impious doctrine of Caesarism' – a doctrine which 'deifies the state' and crushed individual liberty:

This doctrine ... exalts society or the State unduly, making its claims unlimited and its enactments supreme, and sinking altogether the individual and his rights. (II.1.24)

To say that men have no rights which society may not lawfully take from them is to make every man a slave, degraded in every relation of life. His property, his liberty, his children,

his wife, his life, he would hold by the favour and generosity of the men round him, who, if they so chose, could, at their caprice, lawfully and justly take them one and all from him for their own mere comfort and advantage. (II.1.25)

In Heydon's view, the alternative to Caesarism was the doctrine that 'society exists for the good of the individual, and not the individual for the State. Instead of men surrendering all their rights when they join together in society, the very end and object of society is the better conservation and protection of individual rights' (II.1.24-5).

A paper by Forsyth in favour of natural rights, opposing Garrahan and supporting Heydon, was presented at the meeting of the AEA on 6 May 1890 and published in the *Australian Economist* (II.3.33-5) on 21 May 1890. Forsyth concluded that although the utilitarian principle of the greatest good of the greatest number was 'universally accepted in civilised communities as a just political rule of action', its acceptance did not negate the existence of natural rights; rather, its acceptance implied and was dependent upon the condition of the 'non-violation of natural rights'. In Forsyth's view, 'natural right is the standard or criterion by which laws are judged to be just or unjust'.¹⁸ He argued that many laws and institutions of society, such as slavery, had been changed in the past because they had been seen as contraventions of natural rights; and that, unless law had its basis in natural rights, a majority could pass any laws it pleased to promote its own interests, even though they involved oppression of a minority:

The black-haired men could enact a law making all the red-haired men their slaves, and in the absence of a standard of right and wrong no one could say that such a law was an unjust one. (II.3.33)

In his defence of natural rights, Forsyth's account (II.3.33) of American slavery was strongly Marxist in its emphasis on class conflict and class domination:

During the existence of slavery in America, the battle between the abolitionists and slaveholders was fought out mainly on the existence, or non-existence, of natural rights. The former maintained that slavery violated the natural rights of the slaves; the latter, that slaves had no natural rights, and that their bondage was justified by expediency, and by the rule of the greatest good for the greatest number. The institution was defended not only by slaveholders, but by journalists, clergymen, statesmen, professors of science and other highly-educated men, who had no pecuniary interests in slavery. Their support was due to a tendency that had made itself manifest in all ages, countries, and degrees of civilization – the tendency in the classes to sympathise with and support each other in maintaining their privileges (just or unjust) against the masses.

Forsyth also criticised the article by Professor T. H. Huxley in the February edition of *Nineteenth Century*, in which Huxley attacked George's assertion that all people had an equal right to the use and enjoyment of nature. Forsyth described Huxley's article as containing 'insane statements' and 'illogical deductions' – it was 'an extremely clever and discreditable piece of literary juggling', and, continuing the class-conflict theme, represented an 'absurd position into which the writer's class bias and prejudices have led him'. He accused Huxley of prostituting

‘his intelligence and great power of language in an effort to assist the strong and privileged against the weak and despoiled’ (II.3.34).

Forsyth accused Garran of ‘some unwarranted assumptions and illogical deductions’, but did so in terms more polite than those used against Huxley. He reminded Garran that George had advocated not an aliquot share and actual possession of the land – which would have prevented national territorial divisions – but an aliquot share of beneficial interest in the land through the actual occupier paying the annual value or rent into the general revenue. He also rebuked Garran for the statement that prairie land had no economical value, arguing that the state revenue from the prairie land in New South Wales was a million pounds per annum (II.3.34).

According to Forsyth, Garran’s most important fallacy consisted of mixing up improvements on land with the unearned increment of land. Owners are entitled to improvements made by themselves, but increment in land value resulting from the expenditure of state and municipal revenues, and from the growth of population, belong by right to the general public or the state (II.3.34-5).

The link between natural rights and class conflicts was reiterated in the concluding remarks of Forsyth’s paper: ‘The denial of natural rights’, he said, ‘is used in defence of a small minority who have engrossed the gifts of nature and demand payment from the majority for their use’. He predicted that sooner or later there would be a ‘desperate struggle of the masses to regain their natural right to a share in the gifts of nature’ (II.3.35). According to Forsyth, ‘that all should possess a share of natural wealth it was impossible to deny’ (I.24.190).

Comments supporting Garran’s position on the non-existence of inalienable natural rights were presented by Chard, H. A. Ellis¹⁹ and Cameron. Ellis was reported to have said he was ‘deeply indebted to Henry George for his valuable teaching’, but he did not think natural rights really existed. He believed that over the long run majorities made the right decisions. He thought it might soon be necessary for society to choose between George and Socialism (II.3.37). And Cameron was decidedly unsympathetic to natural rights in general and to Henry George in particular, as noted above. He described George as ‘the most egotistical writer that I have ever consulted on economic questions. He puts aside, in a most unceremonious manner, all who differ from his own interpretations of economic phenomena’. Cameron listed numerous instances where government regulations overruled individual freedom – for example, public health, Factories Acts, public morals – thus destroying the claim of absolute, inalienable rights. He described the natural rights idea as a ‘metaphysical incubus’, and declared that ‘No law, no right, no property is so sacred, that it may not be made away with, if it can be clearly shown that it stands in the way of the “greatest good to the greatest number”’. He supported his argument with a quotation from W. Stanley Jevons: ‘the first step must be to rid our minds of the idea that there are any such things in social matters as abstract rights, absolute principles, indefensible laws, inalterable rules, or anything whatever of an eternal or inflexible character’. In Cameron’s view:

The laws of society are but a series of arbitrary rules accumulated or varied from time to time, or a series of compromises and adjustments founded upon experience or expediency. (II.3.35-6)

Opinions within the AEA, as reported in the *Australian Economist*, were thus starkly polarised on the morality of land-value taxation. Foxall and Farrell supported George on the existence of individual natural rights in general and on the

natural right to equal shares of land value in particular. Forsyth agreed on both points, and Heydon agreed on the former without committing himself in this debate on the latter. The opposition was led by Garran and Scott who denied the existence of all natural and inalienable rights, including the right to equal or common ownership of land, and who insisted that economic questions should be decided on utilitarian, not ethical, criteria.

3 Land Privatisation or Land Nationalisation

Although some reported AEA members were opposed to George's policy of land-value taxation without compensation, and some were opposed to land-value taxation even with compensation, several complimented George on the first part of *Progress and Poverty* dealing with the evils that had resulted from private property in land; and agreed that private property in land is undesirable.

Heydon, for example, could not accept George's Single Tax remedy, but approved of the part of *Progress and Poverty* dealing with the harmful effects of private property in land – 'In its earlier portion, one felt charmed by the sympathy manifested for those wronged' (I.27.218). And Carment, agreed that George 'had written well on the topic of private ownership of land' (I.27.218).

Forsyth described the first part of *Progress and Poverty* as the 'most valuable and exhaustive portion' in which 'the evils of private property were well set forth'. He said that 'without doubt private property in land, in Europe, was an evil' (I.27.217); that in Europe 'a large proportion of the existing destitution and distress is directly traced to the utilization of private property' (*ibid*); and that Australia would suffer in the same way if the present system of land tenure continued. He complimented the Single Tax party for ably showing that private property in land was 'opposed to the general welfare of society' (II.1.2).

Having agreed with George in criticising private property in land, some AEA members then advocated an alternative system of ownership. George had rejected land nationalisation, but they supported it, providing that adequate compensation was paid to existing owners. In his paper on 'Land taxation and nationalisation',²⁰ Forsyth expressed the belief – or was it hope? – that land nationalisation 'can and will be accomplished' in Australia 'without a revolution and without robbing land owners of their property' (II.1.5). He also argued that it would benefit the colony [of New South Wales] if the Government were never to sell another acre of land (I.24.190). He proposed that land nationalisation could be accomplished by imposing an income tax on the annual income of all kinds of realized wealth (including land), with exemption for the first £200-300 of each person's income. The landowners would receive compensation over 18-20 years (II.1.6). Forsyth admitted that state-owned land had been 'miserably mismanaged' in the past (II.2.27) and that the public estate was being managed in a 'bungling way' at present (I.24.190), but believed that land nationalisation would contribute to a better distribution of wealth, and was gaining in popular favour (II.2.27).

Another contributor to the *Australian Economist*, using the pseudonym 'Karpa Kora', proposed a system under which land would be held under leasehold title (with the state as lessor) rather than freehold – a system which could be described as a form of land nationalisation. The author did not use the word 'nationalisation', but suggested the abolition of sales of crown land in fee simple, and the substitution of 50-year leases, rent-free for two years, with rents based on unimproved values and reviewed every 10 years, with the leases subject to part

cultivation, continuous residence, and the payment of a survey fee. The writer also proposed a moderate land tax on land already alienated, and recognised that this leasehold proposal would increase the value of the alienated freehold land (IV.6.421). Some other contributors were prepared to accept the principle of common ownership of natural resources, or to recognise that individuals had some right to natural resources while not explicitly condoning equal ownership.²¹

Support for land nationalisation was also expressed by Walker (I.24.190) and Boake. The latter said: 'Land nationalisation was a great truth, because it was based on a principle of natural and righteous law ... The arguments in favour of land nationalisation bought forward by Mr. George and others were very strong' (I.25.198-9); and he approved of the land nationalisation that had partially occurred in Victoria, where large areas had been reserved for sale, so that the income from them could help to pay for state schools. He added:

What service did the landlord perform for society, and what functions did he fulfill? If landlords were abolished, industry would be carried on just the same ... no economic objection to land nationalisation existed as regarded wealth production. (I.25.198-9)

But support for land nationalisation was not unanimous amongst members of the AEA. Chard believed that there would be more advantage if land was in private hands, rather than government hands (I.25.199). Garran argued that a system where land was held 'in commonage', with no private rights, would be a bar to all improvements and would mean 'perpetual Barbarism'. Garran also argued that a system of commonage would not result in equal rights for all, because 'the strong and the cunning always get more than their share, and the weaker are pushed to the wall' (II.3.31).

Garran held that land nationalisation occurred either when the state owned and administered the land or when the state taxed land up to the full limit of its value. He therefore interpreted George as an advocate of land nationalisation, but argued that George 'had modified his proposals from the point of view of expediency', because of the political difficulties involved in state administration (I.24.189).

One of George's arguments for land-value taxation was that land was a natural resource, and that the world's natural resources should be shared equally, or should belong to the state. Garran made an interesting counter-argument. Personal attributes and abilities, he said, were to some extent a natural resource, not a resource made by the individual person.

Look at the man of genius – he did not endow himself; and if an artist or an author, it might be said that only part of his productions belonged to himself. If fertility of the soil belonged to the state, why not the fertility of intellect? (I.24.190)

If this objection by Garran is allowed, it provides another argument against the singleness of the single tax, and another argument to justify some degree of personal income tax. If the Georgist position wishes to avoid those implications, it would have to apply the equal natural rights principle to the natural resources external to the human person, not to natural resources in general; and would need to enunciate some principle to justify the distinction.

For modern readers who have witnessed the fall of communism in Russia and the rise of a dominant *laissez-faire* ideology elsewhere, it is surprising to find that some members of the AEA in the 1890s favoured the nationalisation of land – provided adequate compensation is paid – even though they opposed George's

land-value tax. The early part of *Progress and Poverty* dealing with the harmful consequences of private property in land throughout history had apparently convinced them that state ownership of land would be a better system. Paradoxically, they proposed a reform that would today be generally regarded as far more radical than anything George had proposed, and one that George himself deemed too radical.

4 Other Comments

The Incidence of Land-Value Tax

A central theme of George's system was that a land-value tax could not be shifted by the landlords. But Garran argued: 'Whether a tax on rent could be shifted depended on the play of competition' (I.24.190).²² Carment also suggested that a land-value tax could be shifted: 'Would not the owner charge the tax in the rent, and so get a refund if there was a demand for houses?' (I.24.191). And Boake thought that 'It had not been proved that the "single tax" could not be passed on'; that in the course of their discussion at the AEA it had been shown that it could be passed on; that all taxes could be passed on; and that there was nothing peculiar about the 'single tax' in this regard (I.25.199).

Wages and Capital

In a paper presented at a meeting of the AEA on 4 February 1890, Duckworth criticised the arguments put by George in the chapter on 'Wages and Capital' in *Progress and Poverty*. George had attacked the Wages Fund Theory, on the grounds that wages were not paid from capital, but were generated from the effort and output of the labourers. Duckworth disagreed with George on this matter, and also disputed George's claim that, as an empirical fact, wages had been falling (I.27.220-1).

The reading of Duckworth's paper on 4 February provoked considerable discussion. Garran pointed out that George's argument on wages and capital was not original, and had been made by W. T. Thornton. Forsyth disagreed with Duckworth, and supported George's view on wages and capital: 'so far from Labour being sustained by Capital, it was Labour which was always making advances to Capital', although he also admitted that 'of course there were instances where it happened that wages were paid from capital'. Chard also followed George, and argued that 'Labourers were really the employers of Capital'. Carment moved towards a middle position: 'it was probably true that both parties on the question of Wages and Capital were correct', but tended towards giving priority to capital; 'in the general case the capitalist did support the labourer'. Heydon did not agree that 'the rule was that the capitalist advanced wages', but also thought that 'the truth lay half-way' (I.27.217-18).

Exemptions

Although he argued for exemption (of the purchase price) in the case of owners who had bought land from the government, Garran opposed land-tax exemptions in other cases, such as for small properties. He said that if the taxation of the unearned increment was adopted as a principle, then it would be logically inconsistent to argue for exemptions: 'there is obviously no justification on principle for any exemption at all', and any argument for exempting small properties would be a 'political dodge' to bribe the small holders into acquiescence (IV.11.456).

Some other members agreed with Garran in opposing exemptions. Byrne thought that exemptions would create anomalies, and would mean that 'many

persons who derived benefit from the public revenue would run almost free from taxation' (IV.18.518). And in Hynes's opinion 'there can be no exemptions justifiable on economic principles, precedents, or practices'. He preferred the present system of indirect taxation, against 'an expensive and complicated system of land and income taxation with individual exemptions' (IV.19.526). But Carment was not opposed to exemptions for small properties, saying that exemptions did not touch the principle of land-value taxation, and that 'there must necessarily be some exemption fixed, as otherwise the amount of the tax in some cases be too small and inconvenient to collect' (IV.18.518).

Garran was under the impression that George, as a result of representations made to him in Australia, had been persuaded to accept that moneys paid for land to the state should be exempt from a land-value tax:

When Henry George was here, and was made to understand the large sum which the Government during the last thirty years has received for the alienated land, he was constrained to admit that in equity that amount ought to be deducted before the increment of value could be calculated. (IV.11.457)

This assertion was contradicted by numerous statements by George during, and at the close of, his Australian lecture tour. He repeatedly refused to accept exemptions or reductions for land purchased from the government. He did say, however, that he had once thought to set a threshold of 1,000 dollars in calculating the tax basis. The details of this proposed threshold were not made explicit, but it presumably was intended to deal with small properties.

A Variation on the J. S. Mill Solution

As noted above, a land tax similar in some respects to the one advocated by J. S. Mill was proposed by Hurst. It was similar to Mill's in that it applied only to an increase in land value beyond a given threshold, but differed from Mill's in certain respects. For Mill, the threshold would be the land value at the date of implementation of the legislation. For Hurst, the threshold would be the price paid to the state. Also, Mill's tax was calculated on capital values, Hurst's on annual values. He suggested that a tax should be levied each year on the annual value of the land, calculated by taking the annual value of the land and its improvements, and deducting the annual value of the improvements, and also deducting the annual value of the purchased price of the land paid to the state. He gave the example of a property (land and buildings) with an annual value of 15 shillings, of which 10 shillings represented the buildings. If the land had been purchased from the state at a price equivalent to an annual value of one shilling, the tax payable would be: $15 - 10 - 1 = 4$ shillings. In the case of land purchased from a private vendor, he proposed a graduated scale of tax, with no tax payable for two years from the date of purchase, one-quarter tax payable between 2-4 years, one-half between 4-6 years, three-quarters between 6-8 years, and in full after 8 years. He recognised that this system would produce less revenue, but believed it would form a sound basis for future revenue (III.3.304-7).

Hurst appears not to have recognised the possibility that this graduated scale would mean that the tax could be avoided altogether by re-selling the land to a dummy purchaser every two years. Also, Hurst's tax scheme expressed in annual values was not essentially different from Mill's scheme expressed in capital values. Garran later pointed out the connection between the two schemes. Mill's proposal and Hurst's variation would go some of the way towards avoiding claims for compensation, and towards answering accusations of confiscation.

5 Conclusion

Five years after George's departure from Australia in 1890, Duckworth said:

It was not many years since Mr. George had created immense enthusiasm in Sydney in favor of his taxation projects ... Yet today the name of the strenuous American controversialist was seldom if ever heard, and it seemed as if the wave of popular enthusiasm in favor of his pet theories would become exhausted. (IV.18.517)

Duckworth was probably correct in referring to the passing of 'popular enthusiasm', but George's ideas have left a mark on Australian policies on land and tax – notably, in the incorporation of leasehold tenure in the constitution of the Australian Capital Territory; in the widespread adoption of unimproved value as the basis for rates and taxes on land for local and state government; and in attempts to impose betterment levies and developer contributions in urban development.

It is interesting to speculate on what George's response might have been if he had attended a meeting of the AEA and heard the criticisms levelled at his policies by the members, as outlined above. Would the criticisms have led him to modify his ideas in any way? He would no doubt have been gratified by the support given by some of the members to his views on the harmful effects of unrestricted private property in land, but would also have been surprised to hear that some members supported a policy of land nationalisation, and had interpreted his policy as one of land nationalisation, even though he had explicitly denied that he advocated land nationalisation.

One of the main objections raised by the AEA members was that George's land-value tax would not admit exemption or compensation for land that had been purchased from the government. His policy had been formulated in the context of old countries like Europe where land had been acquired either by conquest or by favours granted by government for personal or political reasons, and in the context of new countries like America where land had been acquired on the first-arrival principle of ownership.

In his story of the utopian country of Rapara – a literary device obviously intended to present his views on the political future of the colony of New South Wales – Forsyth argued that although George's movement 'for a time gained many adherents and made distinct progress', it created a reaction 'not merely against a tax on land to the full value of the rent, but against any form of Land Nationalisation, with the result that Land Nationalisation has been thrust back more than half a century'. In Rapara, according to Forsyth:

Had Henry George proposed to confine the application of his proposal to England and other European countries which had parted with their land without valuable consideration, the question would have been one open to discussion. But to propose to tax land to its full annual value in America, Australia, and other countries selling land under direct sanction of law, without compensation, is surely the height of iniquity – an iniquity which the moral sense of the community has refused to sanction (Forsyth 1897, p. 268).

In countries where land had come into private ownership without purchase payments being made to government – for example, by conquest, by government grants, or by the application of the alleged right of first arrival, or by simply settling

on land without permission and without any government reaction, such as in the case of some of the early European settlers in Australia who became known as ‘squatters’ and later as the ‘squattocracy’ – the compensation question does not arise. In such cases, it would be difficult to sustain a claim for compensation if a land-value tax should cause a fall in the value of the land. But George was not prepared to adjust his policy to deal with the situation where government had already received at least some of the expected unearned increment in the purchase price paid by private individuals. Despite the vigorous protestations put to him by the AEA and throughout his Australian tour, he remained adamant on this issue – his only justification being the rather weak argument that to make an exception for land bought from the government would upset the symmetry of his plan.

The issue is of more than historical interest. It remains a matter of concern in any attempt to introduce or extend land-value taxation today. If levied at a rate designed to capture the full annual value of land, it would create serious financial difficulties and hence political opposition from those who have purchased land either from the government or from private sellers, at a price that would be seriously diminished, if not destroyed completely, by the tax. This is a problem that would have to be addressed by Georgists today, or by any government seeking to raise significant revenue from land-value taxation.

Another objection raised by AEA members was that a *single* tax on land would not only be incapable of raising sufficient revenue, but would also be unfair in leaving other income sources untaxed. Professor Scott, for example, stated that he was not aware of any argument that would justify taxing land alone and not taxing other income sources. Here again is a problem that continues to confront Georgists today. To what extent are they prepared to deviate from George’s views and to accede to a land-value tax that would be not a single tax but part of a package of taxation? And, if part of a package, what arguments would be used to justify a tax rate on land-value higher than the rate on other income sources?

Farrell’s concession that the unearned increment is only part, and not the strongest part, of the argument for land-value tax raises another important question. What then is the strongest argument? Farrell said that the strongest and essential argument was the argument about the morality of the ownership and distribution of land value. Should it be owned by the state and distributed, in cash or kind, to all the citizens equally? Or should its distribution be left to unrestricted market forces?

A further question that should concern the Georgist movement, then and now, is: if Farrell, a leading Georgist in 1890, was correct, and if the unearned increment is not the strongest argument and not an essential argument for land-value taxation, why do Georgists continue to use it? As the AEA members showed, and, as Farrell noted, the unearned increment argument is open to easy objections that serve to weaken and discredit any policy associated with it.

The following statement by Garran seems to have been made as an aside – he did not develop its implications – but it raises an issue that should be considered in relation to the Georgist position, and in relation to land-value taxation in general:

A Land Tax may sometimes have to be levied on property which is yielding no income at all, but may even be involving the owner in a loss. (Garran, IV.11.457)

In George’s system, the amount of tax potentially available from a piece of land will depend on its value. The goal to be achieved when a land-value tax is fully operational is to take in taxation as much as possible of the value of the land; but the maximum amount of tax revenue obtainable cannot be more than the value

of the land. In Georgist theory, there is thus a close nexus between the land value and the maximum revenue from the land-value tax.

The implication of the above statement by Garran is that there is no such nexus. In the case of land used for business purposes, there would obviously be a limit to the amount of land tax, and of any other tax or combination of taxes, that could be levied without forcing a business out of existence. But Garran's statement means that this limiting amount is not restricted to the annual value of the land; the tax authority could require the landowner to pay an annual tax greater than the annual value of the land by drawing on other sources of income available to the business. Likewise, in the case of land used for residential purposes, the amount of land-value tax that could be levied is not limited to the annual value of the land. Given that land is essential for life, the only limit to the revenue a land-value tax can generate is the ability-to-pay of the payees, and the power of the government to enforce payment.

From this it seems to follow that there is a flaw in the standard anti-Georgist objection that a land tax would not provide sufficient revenue for the financial needs of a modern government. The revenue-generating capacity of a land-value tax could be greater than the land value itself. Land that is virtually or even totally worthless could be required to pay tax.

The aspect of George's policies that stirred the greatest intellectual and emotional controversy amongst the AEA members was the question of natural rights. Do natural rights exist, and is the equal right to natural resources a natural right? As shown above, some members vigorously denied the existence of natural rights, while others vigorously insisted that the right to land was a universal, natural, human right. But much of the controversy could have been avoided if the question had been discussed, by George and by AEA members, in terms of equal 'shares' rather than equal 'rights'. The arguments might then have been less moralistic and less metaphysical, and could have focused on whether a society in which the value of the natural resources is shared equally, and from which all benefit equally, would be better or worse than one in which the shares and benefits are unequal.

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Notes

1 Arthur Duckworth (1861–1943) was born in Tollington (Lancashire), came to Australia in 1875, and worked as an accountant with the Australian Mutual Prudent Society, retiring as its chief accountant in 1925. He served briefly as secretary of the AEA, and then as editor for many years of the *Australian Economist*. In 1891 he was appointed the New South Wales correspondent for the Royal Economic Society's *Economic Journal*, and contributed a number of articles on Australian conditions (Goodwin 1966; ADB, Vol. 8, p. 347, entry by Craufurd Goodwin; Groenewegen and McFarlane, 1990).

2 An earlier version of this article was presented at the 21st annual conference of the History of Economic Thought Society of Australia, held at the School of Economics and Finance, University of Western Sydney, Parramatta Campus, 9–11 July, 2008.

3 Vol. I, numbers 1-27, 3 March 1888, to 22 February 1890

Vol. II, numbers 1-33, 20 March 1890, to 31 December 1892

Vol. III, numbers 1-11, 25 February 1893, to 30 December 1893

Vol. IV, numbers 1-32, 24 February 1894, to 21 November 1896

Vol. V, numbers 1-11, 21 January 1897, to 22 November 1897

Vol. VI, numbers 1-12, 22 January 1898 to 22 December 1898

For further details of the AEA and the *Australian Economist*, see N. G. Butlin (1986) and S. J. Butlin (1986), from which the above brief notes are taken.

References to the *Australian Economist* in this paper are given in the form: Volume number (in Roman numerals), issue number, page number. The volume number is of the original edition, not of the republished edition of 1986. Thus, for example, II.17.44 means page 44 of issue number 17 of the second original volume; VI.8.58 means page 58 of issue number 8 of the sixth original volume. Volume 1 of the two-volume republication of 1986 contains I and II of the original volumes. Volume 2 of the republished 1986 edition contains Volumes II, IV, V and VI of the original volumes.

It should be noted that the views attributed in this article to the various authors are taken from *reports* published in the *Australian Economist*, not from original documents prepared by the authors. It is not known whether the editor of the *Australian Economist* had access to original documents in preparing his reports; or whether his reports were proofed by the authors before publication. The fact that there are no published instances of dissent from the editor's reports suggests that the authors were satisfied with their accuracy.

4 George arrived in Australia on 6 March 1890, and left on 11 June 1890. For details of his itinerary and lectures, see Pullen (2005).

5 The words 'the greatest Economist who has determined upon visiting Australia' were quoted here by the editor (Duckworth) from a statement by Garran (see I. 27.220).

6 E. W. Foxall was the honorary secretary of the New South Wales Land Nationalisation League, and played a major role in inviting George to visit Australia and in organising the lecture tour. Despite being a supporter of land-value taxation, and an opponent of land speculation, he was also a land developer.

7 John Farrell (1851–1904) was a poet and journalist. His parents migrated from Dublin via Argentina to Melbourne in 1852. With little schooling and after various occupations, he became an ardent supporter of Henry George and editor of the *Australian Land Nationaliser*, one of the first journals in Australia to promote George's ideas. He later became editor of the *Australian Standard*, and subsequently joined the *Sydney Daily Telegraph*, of which he was briefly editor (ADB, Vol. 4, pp. 156-7, entry by B. G. Andrews).

8 Archibald Forsyth (1826–1908), born in Scotland, emigrated to Sydney in 1848, founded Sydney's first rope making business in 1864, and was elected to the Legislative Assembly of NSW in 1885. He was a supporter of protectionism and land nationalisation, and published pamphlets and books on these and other social issues, including *On Land Taxation and Nationalisation*, 1890, and *Rapara: or the Rights of the Individual in the State*, 1897 – an account of a utopian community in the South Pacific based on protection and land nationalisation (ADB, Vol. 4, pp. 202-3, entry by Martha Rutledge; Goodwin 1966).

9 Louis Francis Heydon (1848–1918), member successively of the Legislative Assembly and of the Legislative Council of New South Wales; minister of justice

1885–6 (Goodwin 1966, pp. 132, 376n; ADB, Vol. 1, p. 536, under his father, Jubez King Heydon, entry by Peter Heydon). See below, References, Heydon (1895).

10 The article appeared over the pseudonym ‘Cynion’ but the list of Names of Contributors on p. xlvii of the first volume of the 1986 reprint and the List of Contents at the end of the second volume of the 1986 reprint, identify the author as Duckworth.

11 Andrew Garran (1825–1901), BA, MA (University College, London), LL B, LL D, (University of Sydney). He migrated to Australia in 1850, joined the *Sydney Morning Herald* as assistant editor in 1856, and became its editor in 1873, resigning in 1885 for health reasons. He served as a member of the Legislative Council of New South Wales from 1887 to 1892, and again in 1895. He was a founding member of the AEA, serving twice as president (Groenewegen and McFarlane 1990; Goodwin 1966; ADB, Vol. 4, pp. 233–4, entry by E. K. Bramsted).

12 According to Duckworth (IV.18.597), Garran was partly responsible for the institution of a real estate tax in New South Wales, not as a means specifically designed to capture an unearned increment, but as one source of Government revenue (cited in Goodwin 1966, p. 131).

13 Walter Scott (1855–1925), educated at Oxford University, became professor of Classics (1884–90) and the first professor of Greek (1890–99) at Sydney University, resigning in 1900 because of ill health. He had unsuccessfully argued for the inclusion of political economy in the university curriculum, and became one of the founding members of the AEA, serving several terms as Vice-President or President. He was said by Goodwin (1966, p. 226) to have had ‘boundless faith in the ability of economic science to provide answers to macro-economic problems’ (see also, ADB, Vol. 11, p. 549, entry by R. Philips; Groenewegen and McFarlane 1990. I am grateful to Peter Groenewegen for further details of Scott).

14 Richard Teece (1847–1928), actuary, was born in New Zealand of British parents, who came to NSW in 1854. He joined the Australian Mutual Provident Society as an actuarial clerk and became, successively, secretary, general manager and actuary (from 1890), and a director (1917–27). In 1887 he was elected the first president of the AEA. Also, in 1892, he became president of Section F, Economic and Social Science and Statistics, of the Australian Association for the Advancement of Service (which had been set up in 1888). After the demise of the AEA, Teece became a member of the Economic Science Section of the Royal Society of New South Wales (Goodwin 1966; ADB, Vol. 12, p. 190, entry by J. M. Bennett).

15 Barcroft Capel Boake (born Dublin, 1838), a professional photographer, became practically bankrupt after losing the last of his money in Melbourne land speculation (ADB, Vol. 3, pp. 186–7, in the entry for his son, Barcroft Henry Thomas Boake; entry by Cecil Hadgraft).

16 It is interesting that Garran in this instance had recourse to a moral judgment, even though in other contexts he had argued that ethics should be excluded from economics.

17 Other AEA members who spoke on the compensation issue included H. Bush, who said that present owners of land who had derived their titles by purchase would suffer injustice if their rights were interfered with (I.7.49), and Byrne, who also thought that a tax on land values would be unjust to the present holders (I.25.199).

18 A similar view of the concept of natural rights as a safeguard against the use of force as the basis for property rights was put forward in H. M. Posnett (1884, p. 79): ‘For “natural rights”, however ridiculous they may appear to those who profess no notion of “right” save that which existing social force may sanction, must not only be the source of moral as opposed to merely legal progress, but are the proper armoury of men who in any country repudiate as unjustifiable the “rights” which force alone pretends to consecrate’. I am grateful to Tony Endres, of the University of Auckland, for bringing Posnett’s work to my attention.

19 Henry Augustus Ellis (1861–1939) was born at Omagh, Tyrone, Ireland; studied medicine at Trinity College, Dublin; migrated to Sydney in 1885; practised at Double Bay, becoming an honorary surgeon at the Sydney Hospital, 1891–2; went to Western Australia in 1894 and entered parliament (see ADB, Vol. 8, pp. 433-4; entry by G. C. Bolton; Goodwin 1966, pp. 338, 415).

20 Presented on 4 March 4 1890; published on 20 March 1890, II.1.1-6. The paper was also published as a separate pamphlet *On Land Taxation and Nationalisation*, Sydney, 1890.

21 Very strong support for George's views on property rights in land and other natural resources was given in a paper entitled 'Is there a social question?' by the Rev. Dr Thos. Roseby, LL D, FRAS, presented at the meeting of the AEA on 5 February 1895, and published in the *Australian Economist* (IV.12.463-7) on 23 February 1895. The paper was a radical critique of the principles of *laissez-faire* and government non-intervention as well as an attack on the privatisation of natural resources. As the paper does not mention Henry George, it is possible that Roseby was not aware that he was in effect following a Georgist policy in attacking private property in land. A comparison of the ideas of George and Roseby is the subject of a forthcoming paper.

22 Garran did not seem to realise that, if landlords could shift the tax, they would have little reason, other than an altruistic concern for their tenants, to object to a land-value tax.

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