indepth

# Minting fairness

After an election campaign studded with extravagant promises, GABI MOCATTA reviews an alternative economic system its supporters say could improve all our lives



IMAGINE a world where everyone prospered, where there was no inequality or poverty and there was opportunity for all.

Imagine a world where there was work for all who wanted it, where home ownership was affordable, where schools and hospitals had ample funding and the environment was safe.

A vision too utopian to be real? Not according to Geonomics.

It's all about resources," says Leo Foley, economist and chief Tasmanian proponent of the theory of Geonomics. "The underpinning theme of Geonomics is that the Earth belongs to us all and that no one can take advantage over others for the fruits of that Earth."

Put into economic practice, Geonomic theory proposes that land and other natural resources cannot be owned by a single proprietor and that resource users should instead pay annually for the use of resources they retain.

The term Geonomics was coined in the 1880s by American economic philosopher Henry George amid the fabulous wealth and abject poverty of the Californian gold rush. George sought to find a workable capitalist solution for the extreme inequities he saw around him. The basis for that inequality he saw as ownership of land.

It's hardly a new concept. The notion of land and resources as communal assets which no individual can own has been well understood by aboriginal peoples for millennia. In our country, Canberra at Federation was developed on a leasehold land rental system that was retained until the 1960s.

Even today, Hong Kong, Singapore and Taiwan rely on a similar system where land value rents make up a large part of government revenue — and Britain might now have a Geonomics-based economy were plans for its introduction not thrown into disarray by the outbreak of World War I.

"One of the beauties of Geonomics," says Foley, "is that by imposing tax on land and natural resource use — this includes everything from the quarter-acre block to such things as forestry, mining, fishing, use of water and of the broadcast spectrum — other taxation would be heavily reduced."

According to economists' calculations for Australia in a Geonomic scenario, income tax could be abolished or GST and company tax could go.

"Geonomics is good for the economy because it encourages growth, nurtures productivity, creates jobs, cuts inflation and expands government revenue. In a Geonomic system," says Foley, "individuals aren't competing with one another to grab and exhaust natural resources, so the environment benefits, too."

So what would a country run on such a system mean for the ordinary person?

People would still own houses and other assets, just as in the current system, but they would not own land, instead paying annual rental. Foley says: "It would mean that children being born now could afford to get into the housing market in 20 years without having a million dollar mortgage over their heads." Also, land rents in cities, where many compete for the best positions, would be higher than rents away from population centres, so the system would not be punitive for struggling farmers.

An economy of that kind would reduce inequality and close the widening wealth gap — and by that measure Australia is increasingly becoming one of the most polarised countries in the world. At the end of the 1990s, the most wealthy 20 per cent of Australian households owned 63 per cent of private wealth, while the bottom 30 per cent had almost no net wealth at all.

Since 1996, home ownership has declined and mortgage debt has risen significantly, with middle to low income earners commonly spending 30-40 per cent of their salaries on home loan repayments.

"This system just isn't fair," says Foley. "There are the haves and the have-nots: the haves own land and the have-nots don't. The real estate boom has just exacerbated this and made it impossible for many to ever own their own home."

No doubt, Geonomics would not be popular with the wealthy, especially those who own more than one property.

"Introducing a new system like this would have to be a slow process," says Foley. "You'd have to phase out income tax, for example, as you phased in land tax and there would have to be compensation for the rich. I wouldn't expect it to be popular with the rich."

As communal as it may sound, Geonomics is no socialist idea that's punitive to wealth and private enterprise. "We believe in the free market, free trade and private ownership," Foley says of Geonomics followers. "You cannot centrally plan an economy, as socialism tried to do. The market is the only way to do things. By redistributing taxation, you improve market equilibrium. This is capitalism — but better."

Geonomics ideas don't fit the usual left-right divide either. Worldwide its supporters include British Prime Minister Tony Blair, the Scottish Greens, conservative World Bank economists and even the government of Namibia. Several Nobel Prize winners have expounded its benefits.

Foley says: "In the left-right spectrum of the 20th century there wasn't room for anything other than the socialist-capitalist dichotomy — but people haven't been happy with the current capitalist system for some time and they don't know how to change it.

"In Australia, and in Tasmania especially, there's never been more money around, yet there's also such inequity."

If the present system is so unequal and cannot deliver funding for schools and hospital beds, our society's fundamental needs, perhaps Geonomics is one system that can.