

## CONSUMPTION TAX – A GEORGIST COMMENTARY

By Graham Hart

The broadly based consumption tax was conceived by the Liberal Party to provide it with a policy which differed from declared labor policy to some marginal extent. The method of operation has not at the time of writing been worked out. Correspondence was directed to Messrs. Peter Reith and John Howard soliciting information, but without any informative responses being received.

The consumption tax imposed on retail sales is intended to replace the sales tax on wholesale sales because the latter, with its varying rates and exemptions, is said to be too complicated. The reasons for the complications are a recognition of the harsh effects on poor people and competitive industry, and attempts to alleviate the problem.

The consumption tax imposed at retail level on everything people, both rich and poor, buy, will have an even worse effect, which is recognised, and we have the vague assurance that some form of compensation will be provided.

The sop to gain support from wage earners is a promised reduction in income tax but this will not help pensioners, retired people and the 10% unemployed who have no earnings. More hand outs will be necessary, with harsher application of the inquisitorial means test and the growth of bureaucracy.

As the government grabs more of the purchase price, at the retail point of sale, so the demand for goods and services will be reduced. Production will be adversely affected accordingly and unemployment will worsen. The answer is that this will be compensated for by a reduction in income tax which should stimulate local purchases.

It is assumed that export sales will be exempt from the retail consumption tax. Australian products therefore will be sold cheaper overseas than in this country. This is in the nature of an export subsidy. We object strongly when the EEC subsidises sheep raising, because this reduces the price of Australian sheep. Economic warfare of this nature generates reprisals and causes enmity between nations.

The distinction between retail sales and wholesale transactions will be just as complex as in the present Sales Tax Act and will call for the registration of wholesalers and manufacturers who should be exempt from tax on purchases used in production.

The proposed consumption tax will be a bureaucrats' bonanza.

At a time when there is a serious unfavourable balance of trade and the Australian government is facing more than a billion dollars deficit, could any tax juggling and dumping of Australian products at cheaper prices be more irresponsible?

All forms of taxation, imposed as a fine on the processes of production, exchange and consumption, will have a damaging effect on the economy. Changes in the method of collection only alter the effect of suffering among different people.

There is a method of raising public revenue which has a stimulating effect on production and ensures full employment at full earning capacity. This method, contrary to the seventy-odd different taxes and revenue producing public charges presently imposed, is consistent with scriptural injunction, the science of political economy and sound business principles.

It is not possible, under modern conditions, to divide the earth equitably among all people as communists have attempted in China and Russia, because of the enormous differences in value – from zero to \$8,000,000, annual, unimproved value in Australia – nor is this desirable because of the varying types of industry and land requirements.

Equality of opportunity for all people to apply their labour to the God-given resources of nature is all that is needed.

Land value is created by the pressure of population, by the presence and activity of all people as an economic community, and not by the efforts of individual landholders, except as members of the community. Land value is a social asset, the wages of society, and therefore is the proper source of public revenue. Land would, in effect, be distributed equitably on a basis of value, rather than area.

Each landholder, or tenant land user, would contribute to public revenue according to the market assessed value of the site chosen for exclusive occupation and use, and participate in the benefits of public services without any arbitrary, disincentive forms of robbery which we call taxes. It would not pay to hold land idle or underdeveloped. Land must be put to use to earn the public charge.

There is no way of using land without employing labour and capital, so full

employment at full earning capacity is assured.

Public finance by taxation doubles the cost of government. Taxes increase prices. Governments, as the largest purchasers of goods and services, must buy back their own taxes. The welfare state must be provided for, because of the unemployment and poverty generated by land monopoly and speculation, when landholders are not required to pay for the economic advantages attaching to their holdings.

Idleness and public theft generates vandalism, violent and fraudulent crime, suicide, corruption etc. Crime, and dealing with its effects, is almost out of control and the cost to taxpayers is enormous.

"Taxation is the power to destroy" which observation by a former Chief Justice of England becomes more apparent. This is the reason for indirect taxes which are less noticeable than direct taxes, as clearly stated by William Pitt, Prime Minister of Great Britain, who addressed the House as follows – "My Lords and Gentlemen, a direct tax of 7% would be a dangerous experiment, and one likely to incite revolt, but there is a method whereby you can tax the last rag from the back and the last bite from the mouth, without causing a murmur against high taxes, and that is to tax a great number of articles of daily use and necessity so indirectly that the people will pay without knowing it. Their grumblings will then be of hard times, but they will not know that the hard times are caused by taxation."

Mrs. Thatcher miscalculated the tempo of the British people in her attempt to foist the poll tax on them and so increase the wealth of the big landholders who claim to own 80% of the land value of Britain, and relieve them of contributing to the cost of government.

Dr. Hewson is in a similar predicament. His consumption tax venture could well condemn the Australian people to another term of monopoly-socialist government, which might well complete the destruction of the Australian economy.

An annual public levy on socially generated land value, exclusive of improvements, is stimulating in its effect on production, is entirely just to all concerned, may be collected at a fraction of the cost of collecting taxes, and is impossible to avoid.