

## Letter from Australia

In a new series we present correspondence from readers and HGF supporters around the globe. Here **Dr Gavin Putland** takes a look at Australia's taxi plates



THE HENRY report, being the final report of the Treasury's review on "Australia's Future Tax System", was delivered to the Government on December 24, suppressed until May 2, then released together with the Government's response, which buried almost all of the report's 138 recommendations. The most celebrated exception was the onshore resource rent tax, which the Government foolishly rebranded the "resource super profits tax" (RSPT). And the most emphatically rejected recommendation was a land value tax with (eventually) no exemptions, and a threshold specified in terms of the value per unit area.

But, having waded into the compensation controversy in my recent presentation at the IU Global Conference, perhaps I should exhume recommendation 66, whose last sentence is: "Quantity limits on taxi licences should be phased out."

All Australian jurisdictions except the Northern Territory raise revenue by selling taxi "plates" (licences) in artificially limited numbers. The plates are analogous to sites, except that their supply is limited by governments rather than by natural laws, so that the sale proceeds amount to a tax. High prices of plates, and high rents charged by non-driving plate owners (absentee landlords), cause taxi fares to be up to 25% higher than they would be with unrestricted numbers of plates (analogous to unlimited land, if that were possible). The burden falls disproportionately on those who spend the highest percentages of their income on taxi fares, namely the poor and disabled.

I quote from Section E3-4 of the report: "Abolishing the tax would mean retaining only those restrictions on taxi licences that relate to safety and service. This would see the value of plates fall nearly to zero...Some of the financial return plate holders earn reflects the risk that current arrangements may change, so whether they should be compensated at all is an open question."

Cop that, Herbert Spencer. But then the report immediately adds: "There is no doubt, however, that it would be far better for society to cash plate holders out using revenue from other taxes rather than to retain the highly inefficient taxi tax."

Cash for what? When the Northern Territory opened up its taxi industry in 1999, holders of existing plates were compensated at

## Edward J. Dodson's Cooperative Individualist View



In the last issue of *Land&Liberty*, I suggested that under Liberalism (as well as Social-Democracy or Democratic-Socialism) cannot exist.

There are essentially five important theoretical forms of socio-political systems. Liberalism operates to a greater or lesser degree under policies associated with either cooperative individualism or state socialism. The greater the policy emphasis on security (i.e., order), on redistribution, on policy driven economic activity, on the use of manmade law to control individual behavior, on centralized authority and on representative (i.e., delegated) democracy, the stronger will be the pull toward a system of state socialism. Conversely, policies adopted in the direction of maximizing individual liberty, natural distribution, market economic relationships, ethical constraints on behavior, decentralized authority and maximum citizen participation in government, will pull a society toward cooperative individualism.

Movement too far to the left in these policy areas supplants liberalism with harsher forms of state socialism and, potentially, totalitarianism. Policies implemented beyond the bounds of cooperative individualism pull societies into what are historically uncharted waters; there, human nature collides with the degree of cooperation and selflessness demanded under communitarianism or anarchy.

An important point to take notice of is that socio-political arrangements allowing natural law to freely operate may create equality of condition but cannot generate equality of opportunity. Only cooperative individualism (by prohibiting sanctioned inequalities to occur) establishes the conditions necessary for equality of opportunity to flourish. This is accomplished by protecting individual liberty against the criminal and economic licenses alluded to by John Locke generally, and with greater specificity by Tom Paine.

Another important characteristic of cooperative individualism is that the natural distribution of wealth to its producers be protected by the positive law. Such laws will clearly distinguish between production and values attributable to privilege held in the form of titleholdings to nature and licenses restricting open commerce and trade.

Labor, applied to land (i.e., nature) produces wealth. This describes the distributive process for legitimate individual property. Wealth belongs to its producer. Titleholdings and licenses are privileges, the exchange value of which is created by the nation's willingness to uphold these claims to privilege. Therefore, this form of value (if permitted to accrue to the titleholder or licensee) is by definition unnatural property. To the extent that government fails to collect these values for the benefit of the entire nation, the nation suffers from a redistribution of wealth—from producers to those who simply claim what is produced on the basis of privilege.

Cooperative individualism works on behalf of liberty by maximizing citizen participation in government and by preventing monopolies in both property and political power. As a result, much of the societal conflict associated with other socio-political systems is mitigated by the high level of cooperation generated when individual initiative is rewarded in direct proportion to the effort expended.

History and our common sense direct us to cooperative individualism as the only means to secure for ourselves and future generations the benefits of a fundamentally just society.

current market value. The Henry report says more vaguely that plates could be "bought back", and floats the idea of uncompensated gradual implementation "by imposing a price ceiling on the price of new taxi licence plates that reduces over time, triggering the automatic release of new plates." It does not explicitly consider compensation for the cost of acquisition.

A 1999 paper by the Productivity Commission [[WWW.PC.GOV.AU/RESEARCH/COMMISSIONRESEARCH/TAXIREGULATION](http://WWW.PC.GOV.AU/RESEARCH/COMMISSIONRESEARCH/TAXIREGULATION)] had no such inhibition, concluding that: "Governments could also consider the merit of capping compensation payments based on...the net present value of the stream of income given by the current lease rate; or...the purchase price of plates (indexed to the consumer price index)." That paper referred to a 1994 report by the Industry Commission, which rejected compensation for the purchase price only, on the curious grounds that it was too complicated and that all plate holders suffer the same loss regardless of when (and hence at what price) they bought their plates. This finding contradicted the submission by the Northern Territory, which said that "compensation should be restricted to those licensees who have recently entered the industry...This will avoid a windfall gain to those plate holders who have been in the industry for some time and have covered the cost of their plate many times over." But the same jurisdiction, with the same party in government, went on to deliver that same windfall gain.

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