

and paper-making, saw-milling and logging operations have annual combined sales of the order of £1.12bn. It had a tax-paid profit in 1987 of £91m! It is with this kind of enterprise that power and influence lie.

Fletcher Challenge Canada and the commercial fishermen and canning companies of British Columbia have this in common, that they are among the 20th century representatives of big business founded on mainly rent-derived and land-monopoly-dependent accumulations of capital, which had its origins in the seventeenth. As Christopher Hill¹ puts it: "Industry was ceasing to be primarily the affair of the small master craftsman and the free miner: the London capitalist

and the enterprising landowner played an increasingly important part".

SUSAN George has devoted a book² to showing how land-and-capital monopoly, now grown to full size, exerts its great strength to achieve a maximum return for its shareholders, with a minimum regard for the well-being of the population in the places where it operates.

Though recognising that present systems of land tenure are the root cause of the growing division between the rich and poor of the world, and awarding first place to land reform in her suggestions about what needs to be

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LETTER

Keep your 'Turnover Tax'

ROGER DOUGLAS, New Zealand's Minister of Finance, was in Vancouver, British Columbia, on 27 November, 1988 to address the Canadian Tax Foundation. News reports were universally complimentary.

On the personal level it is easy to respond to the ebullient Roger Douglas. It is not as easy to respond with enthusiasm to his economic recipe, the principal ingredient of which is said to be the Value Added Tax - the dreaded VAT!

The VAT is a tax levied throughout the chain of production. In New Zealand it has been renamed the Goods and Services Tax (GST). It could equally well have been named the Turnover Tax in that it resembles the "turnover tax" that has been applied for decades in the U.S.S.R. The Soviets have certainly found their TT productive of revenue. One suspects its "productivity" is the feature attractive to other bureaucracies as well - weightier by far than considerations of efficiency, say, or equity (though the latter is always given lip service).

Canada's Finance Minister Michael Wilson is, like Mr. Douglas, a pro-VAT accountant. With the re-election of the Mulroney government, including Mr. Wilson, I was prompted to read Roger Douglas' *Toward Prosperity*,* which was published in 1986 in New Zealand.

Toward Prosperity may be read partly as the biography of a man, partly as the description of an idea, a political party, a process. Or it may be read as a handbook for politicians. The story moves swiftly. It is personal, direct, interesting and even engrossing at some points.

* *Toward Prosperity, People and Politics in the 1980s, A Personal View*, by Roger Douglas and Louis Callan, David Bateman, Auckland, 1987.

Roger Douglas has been able to dissipate somewhat the stench of VAT (in my nostrils at least!) in several particulars. Reassuring on the philosophic side are: 1) his unwavering commitment to individuals as opposed to institutions; 2) his abiding concern for the low man on the totem pole; 3) his respect for the allocative function of the market; 4) his insistence on linking the tax and benefit systems; 5) his apparent grasp of the land question. Arising from these concerns, New Zealand instituted welfare and other measures along with the GST, thus tempering its regressive effect.

Reassuring as well, since his coming to office in July 1984, is the drastic and proven simplification of tax imposts within the New Zealand revenue system, not to mention the dismantling of a host of subsidies to industry and agriculture. To accomplish such changes requires clear-headedness and conviction. Even in a unitary and comparatively small country it cannot have been easy.

If British Columbia could cut itself off from the land mass of Canada and drift a few hundred miles toward Hawaii it could be another New Zealand. However, B.C. is at the mercy of a federal administration that is hell-bent on instituting VAT while it gives little promise of mounting the counterpoint measures. In any event, there is less hope that such measures will be taken in a federal state.

It would be valuable to have a New Zealander's assessment of Mr. Douglas' program and accomplishment even though the experience would not be directly adoptable in Canada. As it is, when Mr. Wilson gets through with us I fear Canada is going to have the worst of both worlds.

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