

\*The 2,251,336 voters who supported the reform.

Voting was strongly in favour of the reform throughout all State electorates, with the highest vote in the metropolitan Sydney area. Some provisions of the Act, such as the procedure to be followed in the event of a mid-term vacancy, are not as we would wish. However, this does not detract from the significance of this legislation.

The Tasmanian House of Assembly, the Federal Senate and now the NSW Legislative Council use a voting method that is not rivalled in embracing the true principles of democracy.

Final voting figures were:-

Yes - - - 2,251,336 (82.6%)  
No - - - 403,313 (14.8%)  
Informal - - 69,727 (2.6%)  
Total Votes - 2,724,376  
Enrolled electors - - 3,072,678

J T WEBBER, Honorary Secretary,  
Association for Good Government.

For more details, see the article 'LEGISLATIVE COUNCIL REFORM ADOPTED' in this issue.

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## AUSTRALIAN SCHOOL OF SOCIAL SCIENCE TAXATION IS DESTRUCTION

*A Paper delivered by Mr Lionel Boorman at the Spring School held at Adyar Hall, North Sydney, on 8th October, 1978.*

Peter Cunningham, a surgeon in the Royal Navy, was Surgeon-Superintendent of Convict Transports to New South Wales. He made four voyages between 1819 and 1825 and spent two years ashore at one stage during that period.

In his book entitled *Two Years in New South Wales* Cunningham shortly dealt with the system of land grants and some of his observations are pertinent to this paper. He says, and I quote: 'It does not follow, because grants are first necessarily large, that the land should thus always continue in masses in the possession of large proprietors; for as new lands become remote, and population condensed in the old settled parts, artificial grasses and cultivation of green crops will unavoidably be introduced in the latter to sustain more stock, and divisions of the large grants among the proprietor's family naturally follow, to admit of a more perfect cultivation than a large tract of land can possibly receive from the capital and superintendence of the single individual: no wealthy and enterprising person will readily rent a farm in a new country, as long as the ambition of acquiring one of his own at a reasonable distance from a market, and at a cheap rate, has a chance of being gratified; therefore, a considerable portion of a large

tract would thus otherwise remain comparatively unproductive until men of capital found it more advisable to rent land in the old settled parts than purchase it in the new.'

Cunningham further says, and I quote: 'The utmost extent of land now granted is 2,650 acres, a capital of Five hundred pounds being required for each 640 acres. At the end of 7 years, you must have expended a fourth of the estimated value of your grant in improvements, to complete your Title to it, at which period you commence paying a Quit-Rent of 5% per annum upon the estimated value of the grant. The natural lands in this Colony have never been valued at more than Five Shillings per acre, therefore the value of 2,560 will be Six hundred and forty-two pounds two shillings and the Quit-Rent Thirty-two pounds per annum. It would be a great improvement to permit this Quit-Rent on first grants to be paid in wheat and beef, at market value; a plan that would suit the Government equally well and the settler better than a money payment. The great fault in the system hitherto pursued in this Colony has been that the terms upon which land was granted were either never enforced, or that there were actually no terms to enforce. By exacting a Quit-Rent at a given period, you oblige the settler to improve the grant, in order to make it sufficiently valuable to answer the demand of the Quit-Rent, instead of keeping it as a mere stock run, or leaving it in a state of nature, until its value should become so much increased by the condensation of population around, as to enable him to dispose of it to greater advantage. This increasing value of land, from increasing population, will often double the value of the grant in the space of a few years, without reference to a single improvement'.

It was interesting to see that a man like Cunningham saw Quit-Rent as the natural revenue and saw the injustice of the advantage given to some and denied to others by the private appropriation of rent where the terms upon which land was granted were either never enforced, or never imposed.

It was unnecessary for him to read Adam Smith because he could see in a growing Colony the natural laws of distribution of wealth already at work. Adam Smith before him had said: 'Both ground-rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Even though a part of this revenue be taken from him in order to defray the expenses of the State, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of society, the real wealth and revenue of the great body of people, might be the same after such a tax as before. Ground-rents, and the ordinary rent of land, are, therefore, perhaps, the species of revenue which can best bear to have a peculiar Tax imposed upon them'.

Before Adam Smith, the French physiocrats had seen that in the natural growth of Society there is developed a fund which is the natural provision for the needs of Society. They saw that this fund could be taken as the revenue of Society without depriving the individual of anything which was rightfully his, and they saw the necessity of taking this fund as the revenue of the State in order to create a just Society. They saw this fund as a surplus product—something more than the production of the individual. They saw it as a social product or a profit of association—the extra production of people working together rather than apart.

Ricardo, an English economist early last century, expressed the law of rent in a concise form—that is—'The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use'.

In other words, where there is a difference in production by men by reason of the difference in the productivity of sites the excess is rent.

The physiocrats saw rent as a surplus product. Adam Smith saw that it was a first deduction from the produce of labour and that it could be taxed without affecting the return to labour. Ricardo saw it as a differential, that is, the difference between what can be produced by labour on a particular piece of land and what can be produced by the same amount of effort at the margin of production. However it was left to Henry George to see the relationship between rent and land price or land value. It was he who saw that wages and the return to capital do not depend upon the produce of labour and capital, but upon what is left after rent is taken out and that no matter what be the increase in productive power, if the increase in rent keeps pace with it, neither wages nor the return to capital can increase. It was he who saw that land value arose from the private appropriation of rent and that the prospect of increases in rent created a speculative value in land. It was Henry George who saw that the enormous increase in the productive power through technology made an ever widening gap between rich and poor. He saw no moral justification for the private appropriation of rent but saw rent as the natural revenue of Society. He advocated the public appropriation of rent and the abolition of all taxation.

In spite of this, by far the greatest proportion of Income Tax is paid out of wages and as wage earners are by far the greatest consumers, most indirect Taxation is paid out of wages.

All taxation is drawn from production, whether it be Income Tax, Sales Tax, Petrol Tax or any other direct or indirect Tax—whether it be Land Tax, Municipal & Water Rates or whether or not the economic rent is taken in lieu of

taxation. Production through the effort of people is the source and the only source of all wealth and the only source of all revenue and, therefore, on the face of it, it seems reasonable for people to say: 'A Government must have revenue and therefore what difference does it make where it comes from?', but we must realise that all production is the reward for human effort. Some of it is the reward to the individual for individual effort and some of it the reward to society by reason of the superior productivity of some sites over other sites.

Having shown the alternative to taxation, having shown that there is a fund for the provision of Public Revenue which is now being privately appropriated, we now turn to the destructiveness of our present taxation system. Firstly, the present system of taxation is an assault on wages and it allows of the existence of land price which is a further assault on wages, and an ever increasing ransom to be paid by each succeeding generation.

Our present mis-directed system of taxation results in an enormous waste of human effort which could otherwise direct itself to some gainful pursuit, either material or cultural. We have thousands upon thousands of people, some of them amongst the best brains in the community, trying to outwit the Tax gatherers and thousands of Tax gatherers trying to catch the outwitters. Every business man is himself conscripted by Government as a Tax gatherer for Government.

Having explained that there is a fund available for Society's revenue and that the present system of taxation is an assault on wages, I should not need to go further, but let us deal with some of the destructiveness of taxation. Payroll Tax—a penalty against an employer for giving a just reward for services rendered and a levy upon the wages of the employer. Tariffs—a restriction on the freedom of people to trade with each other, a subsidy for inefficiency. As Governments throughout the world create unemployment, they in their ignorance turn to bigger and bigger tariffs, thereby creating a greater strangulation of of trade and commerce and creating greater unemployment so that it becomes a vicious circle. Sales Tax and value added Tax—increasing the price of consumer goods and thereby reducing wages. The avoidance and evasion of all these taxes creates a great body of liars, perjurers and informers and Governments themselves depend for their revenue, not on the surplus product, not upon the surplus product seen by the physiocrats but upon TABs and poker machines and lotteries. How can we expect individuals to be responsible if Governments themselves are irresponsible but, as we are the electors, the ultimate fault lies with us.

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