

A revenue that is not a tax

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In the year 1890, the great American philosopher, Henry George, toured Australia to deliver a series of lectures on the benefits of raising revenue by collecting the community-created rental value of land.

The only flaw in his campaign was to mistakenly describe rent as a "tax"!

Nonetheless, the founders of the Australian Labor Party in 1891, embraced the concept and made it a major plank of its Platform. Right up to the year 1905, Labor's Platform called for a flat rate of taxation on the unimproved value of all land; but in that year its Commonwealth Conference changed its Platform by calling for a graduated tax on unimproved land values.

That was either an utterly dishonest decision based upon the belief that suburban householders were too stupid to understand that it was better to pay a small amount of land tax (rent) on his block of land than to pay a large amount in income tax and indirect taxation. Or, perhaps delegates were so ignorant of the case for a Land Value Charge that they were unable to explain that suburban home owners would attract only a small amount of Land Value Charge, but the amount paid by wealthy land owners would be an enormously higher amount in land rent.

In fact, Labor's Leader, Andrew Fisher, won the 1910 Federal election on a pledge to introduce a "land tax" that would collect the economic rent of land as a means of raising revenue.

However, for the first 66 years of its life, Labor's Platform not only made the mistake of describing land RENT as a "Tax on the unimproved land values of estates", but stipulated that it would only apply to land values of estates worth more than five thousand pounds.

That mistake was corrected at the 1957 Commonwealth Conference which unanimously agreed to remove the "exemption from the application on Unimproved Land Values Exemption" (Official Report 1957 Commonwealth Conference p.59).

"A graduated tax to be imposed on the unimproved value of land" remained an integral plank of the Party's Platform until 1961 (see Official Report 1959 Conference p.62).

In 1953, when the Menzies Government abolished Labor's Land Tax, the Federal Parliamentary Labor Party unanimously resolved to inform the Parliament that the next Labor Government would re-enact the 1910 legislation.

But in the meantime, sneaky Labor politicians who stupidly preferred the Tory option of raising revenue by high income and indirect taxation on the poor, secretly removed the 1957 commitment to collect the economic rent of land, without ever obtaining Conference approval for the deletion.

Then on 27 June 1974, I wrote a letter to Labor's Treasurer, Hon Frank Crean, reminding him of the FPLP promise to raise revenue by collecting the economic rent of land. Needless to say, the Treasury Fat Cats advised that they needed time to study my proposal. So my request was allowed to lapse.

Labor's pioneers recognised that land ownership and land speculation is a more lucrative way of becoming wealthy than by trying to eke out a living by hard work.

But today's politicians don't seem to understand that the rental value of land is created by the presence of the community in a given location; that the cost of providing and maintaining streets, footpaths, street lighting, water, gas, electricity, sewerage, hospitals, schools, rail and road resources, etc, is paid for from government revenue that should be met by the landowners who are now allowed to keep the financial benefit that flows from such public expenditures.

Regrettably, the Hawke/Keating Government, which held the reins of power for thirteen years, did nothing to restore Labor's earlier commitment to collect the rent of land as a major means of raising revenue.

Instead, it deregulated our financial system, floated the dollar, reduced the level of income tax on high incomes and company profits, privatised profitable public enterprises like the Commonwealth Bank and did nothing to prevent overseas tax havens being used to avoid the payment of a proper share of the income tax.

The Hawke "Labor" Government allowed foreigners to capture ownership of 80 per cent of Australia's most profitable enterprises. It allowed foreigners to recoup the cost of their ownership by borrowing money from themselves and using the interest for negative gearing their tax obligation plus the Double Taxation Agreement to avoid taxation on the remaining book profit.

The Land Values Research Group (LVRG) has already launched a vigorous and effective campaign which is gathering pace, by making the telling point that the first

seventy years of the Labor Party's existence was spent in explaining the advantages of using the economic rent of land as the major source of revenue.

The LVRG doesn't make the great Henry George's mistake of using the term "Land Tax". It consistently uses the more accurate definition of "*Land Value Charge*" (LVC)!

It advocates the abolition of payroll tax, a substantial reduction in PAYE tax and a full-blooded condemnation of the Liberal Party's Goods and Services Tax (GST) on everything the poorest person in the community needs to purchase.

- It is a tax that compels working men and women to pay the same amount of tax as multibillionaire Kerry Packer will pay for his food, clothing and every other item of expenditure.
- The GST will represent ten per cent of Social Welfare payments received by the unemployed and pensioners, but less than .005 per cent of a millionaire's income, and one thousand times less than that by a multibillionaire like Kerry Packer.

Unlike the GST, a Land Value Charge will not make the poor pay as much tax as the rich. An inevitable result of adding a ten per cent GST on everything we purchase, will be to increase the level of inflation, and therefore reduce the real value of a worker's wage or salary.

Whereas the LVC on the unimproved value of land in the Central Business Districts of our large towns and cities owned by banks, insurance companies, hotels, shopping centres and the like, will have land rental values that are thousands of times greater than the LVC on land used for a suburban home, the LVC on a suburban block of land will be only a fraction of what the owner now pays in direct and hidden indirect taxation.

The same savings will apply to farmers; because the unimproved value of thousands of hectares of farm land is only a tiny fraction of a single inch of a street frontage in the CBD of our capital cities.

Kim Beazley had the honesty to admit that the Hawke/Keating Government made mistakes, and he has set out to put Labor on a new course. He knows that at the 1996 election 600,000 traditional Labor voters left the Labor Party.

He knows that the huge vote received by One Nation candidates in the recent Queensland election was not for Pauline Hanson's policy; they were merely registering their disgust with both the Labor and Liberal Parties.

Kim Beazley can regain the support of the electorate if he is prepared to return to Labor's basics; the most important of which is to collect the full economic rent of land per medium of a Land Value Charge so that Labor can reduce income tax on the poor, and abolish most, if not all, of the hidden indirect taxes.

Andrew Fisher won Government in 1910 with a pledge to introduce a Land Value Charge and Kim Beazley will find it easier to win Government that way, than by tinkering around the edges of the totally discredited system that now applies.

I concluded my 1992 address to the Georgist Council of Australia with the following peroration:

‘Every minute, of every day, the gross injustice of the present system of taxation is staring us in the face. And yet, we still allow the media barons to blind our vision to a better way of raising revenue.

‘The public is becoming wary of the major Parties who accept large donations from wealthy vested interests. They know that these donations are never motivated by altruism, but in expectation of a special favour at the expense of others.

‘This is why the scene is now set for Labor stalwarts living in their modest suburban dwellings to demand a return to first principles, the most important of which is Labor's long-held commitment to collect the rental value of land so that the burdens of present day direct and indirect taxation can be a thing of the past.’