

The tax that will not die

There are now so many wooden stakes thrust in the heart of the Resource Super Profits Tax it could star in a Bram Stoker Vampyre movie.

Many commentators are determined to kill forever the idea and framework of a quality mining tax – never mind this ground-breaking reform would free the tax log-jam that hurts everyone, including miners.

Australia's economic debate is conducted by a band of terrified peasants with flaming torches running around in the dark spreading rumours that get wilder with every retelling.

The wooden stakes, the garlic, the incantations and nailing the corpse to the bottom of the coffin are certain to work against evil. They are no defence against truth.

This tax – a sound, fair, efficient and pro-activity measure – recommends itself by funding government with a gift of nature, not the sweat of someone's brow.

The minerals of the earth are just like land, as Henry George made clear:

"The term land embraces, in short, all natural materials, forces and opportunities, and, therefore, nothing that is freely supplied by nature can be properly classified as capital. A fertile field, a rich vein of ore, a falling stream which supplies power, may give to the possessor advantages equivalent to the possession of capital, but to class such things as capital would be to put an end to the distinction between land and capital, and, so far as they relate to each other, to make the two terms meaningless."

Progress and Poverty Chapter 2 The Importance of Defining Terms

We do tax resource extraction with mining royalties,

but these must be set at a very low level to not deter marginal or low quality mining activities. KPMG Econtech estimates the average excess burden of resource royalties imposed by Australia's states and territories at 50 cents in the dollar. This means each dollar collected costs the economy \$1.50.

The ideal model is Australia's Petroleum Resource Rent Tax, which has an average excess burden of zero.

Treasury's vision, Australia's Future Tax System, offered a way to replace mineral royalties with a superior revenue measure that does not discourage marginal miners while obliging those extracting ores to pay the owners named in Australia's Constitution: you and me.

Land: A Key Natural Advantage

Reserve Bank of Australia Governor Glenn Stevens in a speech in Hobart on 7 July acknowledged Australia may have given away a key natural advantage: inexpensive land. This is the first time the Governor has used this language.

Hectares of forest and gazillions of bytes are consumed interpreting the words of the Governor. His public comments are deeply considered and new themes are rare. These remarks are a watershed.

He said:

"...I very much agree with your points about the supply side, I mean I think that's a huge issue in housing and in a sense if we're too rigid on the supply side then fundamentally housing prices have to be higher. That's not a bubble, that's fundamental, that's not good though. Because really in a country this size and the land we have, I can't see how we shouldn't be able to have fairly inexpensive shelter really and I wonder whether we've unnecessarily given away a natural advantage we have."

He meanders a little around house prices, shelter (buildings) and land, but fundamentally the price of land is what fluctuates. Building construction costs are overwhelmingly sunk labour and tied strictly to wages.

Prosper has been talking for years about how important inexpensive land is to national prosperity. Low land prices would have a profound impact on every facet of economic activity, from decent housing for low income earners to profitable farming to industrial development and the delivery of services.

If the RBA and our economic mandarins observe a national strategic advantage they have an obligation to nourish it and deploy it to the advantage of all.

One of Australia's is space. We have chosen to welcome migration, dig up minerals, grow crops and animals – but also to strictly ration by price the access to land for all.

Land users are presented with two repugnant options: buy at current stratospheric prices and become debt-slaves, or rent and enrich a rentier.

Glenn Stevens cannot acknowledge we are in a land bubble for fear of bursting it. But it is one thing to deny a bubble and quite another to stand mute as strategic national assets are squandered.

Well, what are you going to do about it, Governor Stevens?