
ADDRESS IN REPLY.

SPEECH BY MR. E. J. CRAIGIE, M.P.

(MEMBER FOR FLINDERS DISTRICT.)

In the House of Assembly on July 18th, 1933.

A PLEA FOR A JUST SYSTEM OF COLLECTING REVENUE.

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REPORT OF SPEECH BY MR. E. J. CRAIGIE, M.P.

Mr. CRAIGIE (Flinders)—I desire at the outset of what I have to say to express sincere regret at the death of Dr. Basedow. He was a gentleman of high intellectual attainments who held independent views in regard to political problems of the day. Any person who has the courage to express independent views in Parliament is an asset to the House. Much has been said in regard to the special grant which the Treasurer has obtained from the Federal Government. I am not very keen in regard to grants which come from the Federal Parliament. I think far too much effort is used in seeking to get grants from the Federal Government for the purpose of compensating us for disabilities which we suffer as a result of Federation. Instead we should use our best endeavors to get those disabilities remedied. It seems illogical to go cap in hand asking for financial assistance, instead of seeking to have those burdens removed from the primary producers of this State. The Governor's Speech refers to unemployment. Here again it follows the old story of tinkering with the evil effects of a bad social system without attempting to do anything at all to relieve the cause of the trouble. I am surprised to see that some members are also in the tinkering brigade. It has been said that approval should be expressed at the attitude of the Government in its proposal to subsidise farmers in relation to the payment of wages. When you subsidise farmers you are giving them something which you are not giving to the people who are out of a job. There is no justification at the present time whereby taxpayers should be penalised by additional burdens so that a subsidy shall be granted to pay wages to one section of the community. The Government regards settlement of the people on the land as one of the methods whereby the unemployment problem can be dealt with. I am heartily in accord with that, but not with the particular methods which the Government proposes to adopt in bringing it about, because experience has shown that whenever we have taken all sorts of people from various callings in industry and placed

them upon the land without the knowledge to enable them to make a success of their new calling it has simply meant additional burdens being placed on the taxpayers. It is not the function of a State to settle anybody on the land at all. It is the true function of Government to see that natural resources are made available to those who desire to use them for production purposes on an equitable basis. The Government has called upon local governing bodies to assist in dealing with unemployment. I do not think it is the function of local governing bodies at all. Local governing bodies have quite enough of their own worries and troubles without the State Government asking them to take on the responsibility of administration in this direction. As for private enterprise assisting in the employment of more men, my experience is that if it can employ any person and make a profit out of his work it does not need any urging on the part of the Government. The reason why private enterprise is not employing more men is because profitable production is not possible under the present economic system. It has been said that the continued low prices, as compared with the cost of production, is one of the main factors in bringing about the unfortunate position in which so many primary producers find themselves. I do not think that any person can challenge that statement. It is not to be wondered, with the existing high costs and very low prices ruling for primary products, that farmers are in such an unfortunate position. I hope the statement that the Government intends to do everything within its power during its term of office to remedy the position will produce satisfactory results. The Governor's Speech, however, does not give any indication that the Government will do all that is possible to give relief. We have heard a great deal about a reduction in rail freights for certain primary products. Although no doubt primary producers will receive some temporary benefit as a result of these concessions, there is great need for a reduction on rail freights on other lines. The Government might well consider a reduction in general railway

freights and fares. I am not overlooking the position of our railway systems, which are not showing a profit in their working today. My view is that the financial policy in regard to our railways is altogether wrong. The users are not paying freights and fares merely in proportion to the value of the services rendered by the Railways Department, but I contend that the interest charges on the capital cost of construction should be charged against the unimproved land values. The railway revenue for the last financial year amounted to £2,757,123. The interest on the loan charges absorbs £1,217,338. If we adopt what I believe to be a common sense policy in relation to railway finance it will be necessary to impose a tax of 3d. in the £ on the unimproved land values to permit of that reduction of railway freights and fares which we all know is necessary. The suggestion to raise revenue from the taxation of unimproved values is anathema to a big section of the community, more because they have not really investigated the problem than the knowledge they possess regarding it. The total freights and fares paid on Eyre Peninsula railways for the last financial year amounted to £187,640. A tax of 3d. in the £ on the unimproved lands on Eyre Peninsula would produce £38,121. The interest payments taken out of revenue for the past twelve months represented 45 per cent of the revenue collected, therefore if we took the whole of the interest from the unimproved values of land it would permit a reduction of freights and fares to the extent of £84,438 to the producers on Eyre Peninsula, giving them an advantage of approximately £50,000 a year as compared with the present system of financing railways. If a reduction of 45 per cent is regarded as being too much owing to the losses made on the railways, and we tone it down to 33 per cent, then the amount of saving in railway freights and fares would be £62,547, as against a payment by the landholders on Eyre Peninsula of £38,121. These figures prove conclusively that those who have been opposing a policy of this nature on the ground that it would do a considerable amount of injury to the farming section of the community will have to revise their opinions. These facts are taken from the official records of the State. If the Government intends to do all in its power to give relief to those engaged in primary production, this is one of the avenues which could be profitably explored. The Governor's Speech indicated that steps should

be taken to secure adequate prices for wheat. I am quite surprised at a Liberal Government urging a policy of fixation of prices. Had it been our Labor friends, who are obsessed with the idea that the Government has power to do this and that, I would have understood them, but when it comes from those who allege to believe in Liberal principles, the fixation of prices of wheat or anything else is a violation of economic laws which I did not think any Liberal Government would be found supporting. I am pleased that the Farmers Relief Act is to be extended. The farming community is in a bad way as a result of the unsound economic policy of the past.

The Hon. R. L. Butler—They would all end up in Heaven if they waited for your policy to assist them.

Mr. CRAIGIE—Whilst he is head of the Government, is the Treasurer prepared to place before this House a policy in accord with economic and moral law, or does he propose to continue the bad old policies which have brought disaster on all sections of the community?

The Hon. R. L. Butler—Forty-five members think you are wrong.

Mr. CRAIGIE—There were more than 45,000 people on one historic occasion who nailed a man to the cross and said he was wrong. A majority is not always in the right. History has shown that majorities are usually wrong and minorities right. They stone people who are in minorities during their lifetime and then erect stones to their memories when they die. We are told that there is a possibility of South-Eastern lands being developed by an English company. I was much surprised to read the Premier's statement that he was in favor of this scheme, mainly because the company in question was somewhat in the nature of the South Australian Land Company, which had done such excellent work in opening up our State. The less we say about the virtues of the South Australian Company the better it will be for all concerned. The general tendency of that company was to get hold of the pick of the country, hold it for rising values, and then exploit those who wanted to do useful work in production.

The Hon. R. L. Butler—I know hundreds of men on the land whom they did not exploit.

Mr. CRAIGIE—I know large numbers who were exploited by them. I could show how members of that company were able to get rich without working at the expense of the sweat and toil of the producers of South Australia.

The Hon. R. L. Butler—They made a better job of it than the Government.

Mr. CRAIGIE—If you mean in the exploitation of the workers I agree with you. The question of education is dealt with in the Governor's Speech. That is an important subject, and the remarks indicate that there will be some cut in the education vote. Possibly there may be room for that in the metropolitan area, but when it comes to the outback country areas the people require greater educational facilities and no curtailment of their present ones. The children in the metropolitan area have very short distances to travel to secure an education, whereas those in the outback areas frequently have to journey five to seven miles. Sometimes two of them ride one horse, or take it turn about riding and walking. In view of the disabilities they suffer, I shall enter a strenuous protest if there is any intention on the part of the Government to reduce the present facilities for education. We are also told that the surcharge on water and sewerage rates is likely to continue. This has been a source of annoyance to people for some time and the department should now determine a rate sufficient to meet services rendered and do away with the surcharge. The whole basis of assessment is wrong. It is a mistake for the department or the Government to cut the State up into separate water districts. The water systems of South Australia should be treated as one big national concern and the basis of rating should be the unimproved values of land as in Queensland and many other places in Australia. The whole of the benefits of the Tod River scheme do not remain on Eyre Peninsula. As the result of the expenditure on that scheme development has increased, production, has gone ahead by leaps and bounds, and the metropolitan area has received great advantages. If we adopted the unimproved value basis as the system whereby the rating was raised, all sections of the people would pay in proportion to their benefits, and we would have our system on a correct basis. We are also told that the 25 per cent. surcharge on succession duties is to be continued.

I am not very keen on the raising of revenue by this method. Any system of collecting revenue which proposes to take from the widows and orphans what the breadwinners have put by for their dependants when they are no longer here to look after them is a most despicable one. Instead of extending the principle for another 12 months I would prefer to see it abolished. Now we come to one of the star items in the Government's proposals, namely, a five years Parliament. Every person who followed the political situation closely knows that the question of a five years Parliament did not loom prominently in the speeches of the Liberal and Country League candidates. It was regarded as a dangerous subject to touch on the hustings. It was embodied in the Treasurer's policy speech, but apart from that little was said about it.

The Hon. R. L. Butler—You are ignorant of the facts. You were away on the West Coast.

Mr. CRAIGIE—We have a daily press which publishes the reports of speeches by distinguished members who sit behind the Premier, but there was no indication in those reports that they stressed the question of a five years Parliament.

The Hon. R. L. Butler—I think I spoke on it every night.

Mr. CRAIGIE—Well, the Premier may have been an exception to the rule.

The Hon. R. L. Butler—I was not an exception at all.

Mr. CRAIGIE—I know that questions were asked of certain candidates as to whether they favored it. Candidates run by the L.C.L. have expressed opposition to five years Parliaments. It may be said that the Government has a mandate from the electors for a five years Parliament, but I challenge that statement because an analysis of the figures cast at the last election reveals that the Liberal and Country League secured only 60,000 first preferences out of 191,000 first preference votes that were cast. Those electors did not want a Liberal Government. Consequently, as there has been a public expression of opinion in opposition to a five years Parliament, I hope that the Government will not go on with that proposal. One of the hardy annuals appears in the Governor's Speech, namely, the question of the Companies Bill, which is long overdue. Many companies have been established in South

Australia, and the existing legislation is not adequate to deal with them. The sooner that Bill is put upon the Statute Book the better it will be for all sections of the community. The Leader of the Opposition pointed out that a great wrong would be done if a flour tax were imposed, as it would raise the price of bread to the workers. The honorable member is inconsistent, because during the time he was in the Federal Parliament he did not hesitate to impose heavy burdens of taxation upon the things required by these same people. Mr. Lacey was also of the opinion that the solution of the unemployment problem was wrapped up in the raising of prices. Supposing a general rise in prices took place immediately, how could that possibly be advantageous to the great body of the workers? It would simply mean a reduction in their purchasing power, with a consequent fall in the demand for commodities, thus increasing unemployment. Mr. Stephens said the introduction of machinery was one of the main factors causing unemployment. He also stated that there were 700 drivers of horse drawn vehicles in the good old days, whereas they had been reduced to 50. That may be correct. Every change and development that takes place certainly has the effect of displacing labor in one class of industry, but it opens avenues in other classes. Probably the honorable member will admit that although there has been a diminution in the number of people employed in industries associated with horses, there are perhaps 1,500 men employed in various other industries not in existence before.

Mr. Stephens—What about activities depending upon the use of horses in industry?

Mr. CRAIGIE—I think it will be found that all people displaced as a result of a new invention are absorbed in some other form of production.

Mr. Stephens—Well, reduce the hours of labor on account of machinery.

Mr. CRAIGIE—I notice that America is going to try its hand in that regard. When the honorable member talks about a reduction of hours of labor, does he imply, at the same time, that there should be a reduction in the remuneration? Supposing you were to reduce your hours of labor without altering your rates of pay, the immediate effect would be a rise in prices. My friend would then come along and ask for another reduction in hours. Under a natural system of labor-saving inventions and devices,

the cost of production is lowered to make the good things of life available to the community at a much lower price, and to give people a greater amount of leisure than they enjoy to-day. Unfortunately that does not operate under our present system. All labor saving appliances which have the effect of increasing production operate to increase the rental values of land, because it is only upon land that labor saving machines can be utilised. The introduction of superphosphates did not benefit the farmer as a farmer; it benefited him as a land holder. Men who wanted land for farming had to pay fictitious prices for it. I know of farmers who were driven to the Insolvency Court prior to the introduction of super, but since the advent of that commodity land has been sold for as much as £25 an acre. Mr. Beerworth gave as his reason for the high cost of production the high price paid for country. It is quite true that exceptionally high prices have been paid for land, but that is not increasing the cost of production. It means that you have to give a greater amount of your production because of the system enabling those higher prices to be paid. He paid a tribute to Andrew Fisher as being a great man who did a lot for the Labor movement, but I am of the opinion that we owe our downfall to a certain extent to the time when he controlled the destinies of Australia. It was boasted of the great labor movement that it placed every measure of its platform on the Statute Book of the Commonwealth. It had the power to do so because it had a majority in both Houses of Parliament and could have made Australia a paradise for the workers if it so desired. Looking at the official records we find that owing to the high Customs taxation the actual wages of labor were reduced by 2s. 8d. in the pound. If that is the action of a great man, then I have no desire to be like him in the political life of the State. I heard Mr. Beerworth say he thought the great Labor Party had more Divine right behind it than any other party. That is rather a big claim, one which in my opinion cannot possibly be justified, as the Divine right seems to be something in regard to the moral law. There is no morality in any party that says "we will tax industry and make it contribute to the cost of government." There is no morality in the policy of a party which taxes food, clothing, and tools of production. It would be more correct to say that such

a party had all the influences of Safan behind it. Mr. Bardolph said there was only one method of solving unemployment and that was to socialise credit. We have heard a lot about the socialisation of credit and currency requirements, but from many of the ideas expressed I feel that those making them are not conversant with the basis of their claims. If I produce £100 worth of wealth that gives me credit for £100 in the social service market. That credit belongs to me, and there is no just basis for the socialisation of credit. I am surprised that a man who claims to be the leader in South Australia of the only true Labor Party, who believes in every worker getting and enjoying the full results of his labor, should by means of a policy of this kind, violate what should be the fundamental principle of labor organisation. The cause of stagnation in industry to-day is the unfair burden on primary production, coupled with the fictitious prices placed on land. When prices were at a high level for primary products a number of farmers thought they were going to remain constant, and that it was a safe proposition to buy exceptionally high priced land. Unfortunately, the bottom fell out of the market. People who bought additional land in expectation of getting rich found themselves in an unfortunate position, and so today are appealing to Parliament to get them out of trouble. What I particularly desire to stress is that if we continued our present economic policy, and it were possible to bring about a temporary rise in prosperity, a section of the community would not profit by the experience of those who have suffered in the past, but would become easy prey for the go-getters asking fictitious prices for land in the future. It is our duty as legislators to see that action is taken on the part of the Government to prevent such go-getters from getting rich quickly. Unless we are prepared to do that nothing can save the farmers from disaster. It is interesting to see the position of the farmers from an examination of income tax returns. If we take the primary industries as a whole we find that they have produced during the past year 59 per cent of the total wealth of the State, yet so much of the produce of those industries is taken from the producers that they are only able to contribute 4½ per cent. directly in revenue by means of income tax. That indicates the gravity of the position. So far as farmers are concerned there are 3,764 engaged in farming pursuits.

They produced between them 34,877,000 bushels of wheat, and yet they paid only 3.715 per cent of income tax. The pastoral section during the last twelve months produced 53,748,000 lb. of wool, but with 188 people engaged were able to pay only .524 per cent of the income tax levied. Our mining industry is under a similar burden of taxation. Those engaged in it paid only .012 per cent. In the manufacturing section the position is somewhat different. Generally speaking they are a privileged class. They have not to sell the produce of their labor in open competition in the same manner as the primary producers, so they contributed 30 per cent of the wealth produced last year. Whereas the figures of primary production £13,198,000, is naturally the price determined under free competition conditions, the manufacturing figure of £7,397,000 is artificially inflated. On these inflated figures they produce 30 per cent. of the wealth and pay 25.058 per cent. of income tax. This shows clearly that the manufacturing section has not been called upon to suffer under the economic policy in the same manner as the primary industry. Little has been said of the burden imposed on the employee. An analysis of the income tax returns for the past twelve months shows that 69,404 employees contributed no less than 67.37 per cent., which means they paid that amount directly into the public Treasury. The Government would do well to revise the position in regard to the raising of revenue. One main cause of our present trouble is the enormous tariff burden imposed by the Federal Government, over which we, as State legislators, have no control. I was pleased to hear Mr. Morphett speak in such strong terms in opposition to the tariff policy. It has been recognised throughout the world that it is not a good economic proposition for any country to try and lock itself into a watertight compartment. The Federal Government is seeking chartered companies to develop the vast resources of the Northern Territory. If it is a good thing for the Commonwealth Government to reduce or abolish the tariff tax on things needed for the development of the Northern Territory, why is it not also a good thing to abolish it as regards those producers who have borne the heat and burden of the day in developing other portions of the Commonwealth? In a motion I submitted last year I

showed the effect of the tariff policy upon State instrumentalities. During four years our Railways Department paid no less than £601,000 in Customs duty on new rolling stock and machinery. This added £13,366 to the interest bill. It is because of the tariff policy of Australia that we are compelled to charge the present exorbitant railway fares. We cannot have any satisfactory solution of our transport difficulties until these big burdens are lifted from our railway and motor transport systems. Our water rates are higher than they should be, because of the tariff on pipes, iron, cement, and everything else used in water supplies. Our highways cost more because of the burden imposed by the Federal tariff. We should enter a most vigorous protest against a continuance of the system which is making it difficult for the State Government to function and give service at satisfactory cost to the people. It has been stated by political economists that the tariff constitutes a burden of at least 14 per cent. on primary producers, but if they put it at 20 per cent. it would be much nearer the mark. The tariff is making it impossible for any rehabilitation of the State to take place. We have repeatedly heard of the iniquity of the motor tax, which takes about £600,000 a year from those engaged in motor transport. The financial year for the payment of motor taxes commences on April 1, a very appropriate day. Why should we pay £600,000 to run motor vehicles over the roads of this State? There is no justification for that, particularly in the country, where very few roads are provided. If a firm has to spend hundreds of pounds a year for licence fees on vehicles it uses in its business, it has only one method of recouping itself, and that is in the prices of commodities. Therefore, for that reason alone we should abolish the tax. I am opposed to any suggestion that we should substitute a petrol tax. We raise the greater portion of our revenue by means of income tax. People imagine that to be an ideal system for collecting revenue. I have never looked with favor on it, because it has the effect of penalising producers in proportion to the industry they display. There is no incentive for a man to produce if he knows that the more he contributes to production the greater will be the amount taken from him in taxation. There is no moral basis for such a system. Of course, we are told that

the correct method for collecting revenue is that each person should pay in proportion to his ability. That is the good old orthodox principle we hear from most of the professors of political economy, but I do not consider it correct. We have two kinds of business in connection within our social affairs, private and public. If a man possessed a business would he, when a customer entered his building, look him up and down and say to himself "That man is able to pay a good price for the article he wants, therefore I will charge him 2s. for a pound of tea?" Then when someone less fortunate comes in would he say "This man is not able to pay so much, therefore I shall permit him to enjoy a pound of tea for 1s. 6d.?" No person would apply the principle of ability to pay in a private business. If they did they would soon reach the Insolvency Court. The correct principle for contributing to revenue is that every person shall pay in proportion to benefits received, and until we adopt that principle it will be impossible to put the ship of State on an even keel and guide it into the harbor of national prosperity. Go where you will you find a general condemnation of the raising of revenue by means of income tax. Unfortunately, instead of members who support income tax proposals receiving the castigation they deserve, it usually falls on the unfortunate people who are charged with the administration of the Act. I have had a good deal to do with the Taxation Department in the last three years and I have received nothing but the greatest courtesy from Mr. Cornish and every other officer. It is due that that statement should be made in view of some of the assertions made recently. The raising of revenue by the present means calls upon people who are going about their legitimate business to disclose their financial affairs to Government officers who have no right to know anything about them. The system is very expensive and the sooner we abolish it and substitute something else the better it will be for all parties. I know there are some who assert that, when a Government attempts to levy revenue along the lines I advocate, it should be referred for medical examination. The general tendency is for any person who gets out of the beaten track, anyone not prepared to subscribe to ideals laid down by old political parties, to be looked upon as a crank. I have had these things said to me, but I am not disturbed. A crank is a very important

piece of machinery and it is better to have one idea than none. There are only two ideas in the world, a right one and a wrong one, and we claim we have the right one.

Mr. Hamilton—Hear, hear.

Mr. CRAIGIE—I am glad that my friend endorses my statement. I remind the honorable member of the old saying that constant dripping wears away the hardest stone.

Mr. Hamilton—I was applauding the honorable member's assurance.

Mr. CRAIGIE—The honorable member was at one time member of the Victorian Parliament and made some very valuable contributions to its debates. In my early days I often envied the honorable member the knowledge he possessed on this subject. In the Victorian "Hansard" of October 11, 1898, when speaking on the Land Amendment Bill, Mr. Hamilton said:—

In this colony, had we never parted with our lands, we could do absolutely without any taxation whatever, because the rent of land that would be received from the lands in the towns, boroughs, and country districts would be sufficient to provide for all the necessities of the State without placing any burden on the community at all.

That is an excellent statement, which has my hearty endorsement. He also said:—

Land was different from any other form of industry. Land was what the people must all live in, and all use at some time or other of their lives. If they ran short of boots they could put on more men, more machines, open new factories, and produce as many boots as they required in a short space of time. But if they ran short of land, through some persons monopolising great quantities of it, they could not produce any more land. . . . If a land tax were imposed in this colony it would do more than the compulsory purchase clauses of this Bill, and do it in a natural and automatic manner. It would open up not a few small areas but practically the whole country.

He improved as time went on, and in his speech on the Budget on August 29, 1899, he said:—

I doubt if the Government have ever fully recognised the true economic value of the tax on unimproved land values. . . . Now, Sir, I want to say that the land tax is indeed a revenue producing machine. But it is not only that. It differs from all other taxes in the respect that while other taxes have the one effect of taking money from the people and making them poorer thereby, the great majority of people are benefited by its imposition. They are benefited, first, because it tends to open up a great quantity of land

which is closed for purposes of production, and, secondly, because it takes burdens off a large number of the people, and enables the amount so released to be used in commerce, whereas other taxes take money and use it for the purposes of government.

Every member will agree that Mr. Hamilton had clear vision when he said that. Some claim that if a tax were imposed on the unimproved values of land it would not produce the effect its exponents declare, because it would be passed on in the same way as other forms of taxation. However, the distinguished economist opposite, Mr. Hamilton, also stated:—

The tax on unimproved land values has one redeeming feature, if it has no other, that the landlord cannot transfer it on to the tenant.

The honorable member went on to quote John Stuart Mill in support, and finished up with a wonderful peroration which should have been hung on the walls of the Liberal and Country Party room. He said:—

Instead of being an unjust tax, the land tax shines pre-eminently above all other taxes that were ever conceived by the mind of man as the most just of all.

One could not find a better exposition of land tax principles than my friend gave us in the days gone by when he was in the Victorian Parliament representing Labor opinion. There are various objections raised against the imposition of a tax of this kind, and I propose briefly to refer to some of the most common of them. I have been told when advocating the principle of taxing the land that I have stressed the argument that the greater portion of the revenue would be contributed by the metropolitan area. I have never been guilty of making a statement of that kind. Official figures before me show that the metropolitan area contributes one-third of the total value against two-thirds by the rural section of the State. It is only natural that rural sections would contribute a greater amount than the metropolitan area. The City of Adelaide, with 1,042 acres, is assessed for taxation purposes at approximately £12,500,000, the average value per acre being in round figures £12,049. In the metropolitan area there are 156,374 acres and the average value for taxation purposes is £187 per acre. When we take the rural areas compared with the metropolitan area there is a big difference, because in one case you are dealing with 156,000 acres and in the other with 120,000,000 acres, with an average value

of rural lands for taxation purposes at only 11s. 1d. per acre. Consequently those people who say that an injustice would be done to country people by the collection of revenue along these lines and the lifting of the burden of taxation from industry will have to look for some new objection if they are going to make a satisfactory opposition to this particular scheme. Again, we are told that if we adopted this principle of raising revenue it would not be possible to raise sufficient money from unimproved values of land to meet the cost of Government. I think Thomas Shearman will prove the fallacy of that contention, and I quote from his "Natural Taxation" as follows:—

Ground rents always exceed cost of government. Nor can the average annual cost of necessary government for any community ever be greater than the average annual value of its land. To say that it can, is a contradiction in terms. How can any government be necessary which costs more than the privilege of living under it is worth? And what is the cost of the privilege of living in any particular place, except the ground rent of that place? It makes no difference how you assess the price of the privilege. A landlord can, if he chooses, fix his asking price for rent upon a computation of his tenant's personal property. If the price thus fixed is less than the market value of the land, the tenant will gladly pay it, and bless the stars which gave him a fool for a landlord. If it is more, the tenant will move away, and the landlord will get nothing. The State can do no more. No one will pay more taxes than the privilege of residing within the jurisdiction of the State is worth. If anyone pays less, he is better off than people who live in another place and pay full value. This difference is so much natural rent; which he puts into his own pocket or is compelled to pay to a private landlord. Ground rent therefore, is invariably sufficient to meet all the expenses of necessary government. But as government never exists where society does not exist, and as society offers many advantages in addition to the mere benefits of government, the privilege of living in society is worth much more than the mere cost of government. This privilege is dependent upon the living within a tract of land in which society exists. Outside such land, there is other land, with no society and no government. The difference between the value or no value of the right to live in solitude and the value of the right to live in society is so much economic rent. Rent, therefore, will at all times, in all places, and in all circumstances, exceed the entire cost of necessary government.

Many people overlook the fact that the present system of raising revenue is very costly. It has been claimed that it is more expensive to collect land values taxation than income taxation. In support of that we find quotations

being made from the appendices to the Treasurer's Budget statement, showing that per hundred pounds the cost of collecting income tax is considerably less than for the collection of land values tax. We collect only a miserable three farthings in the pound from unimproved land values in South Australia, or less than half a million pounds a year. Naturally if a small amount of land values taxation is collected the percentage of cost is exceedingly high, but the point overlooked is that the same staff which issue notices for a three farthings rate would be sufficient to take the whole of the revenue from the same source without any additional cost to the Government. All the other taxation departments could then be abolished, and a considerable reduction effected in the cost of the Government. As evidence that income tax is more costly, according to the estimates placed before the House, there are six land tax assessors, where previously there were three, at a cost of £1,181, and a Deputy Land Tax Commissioner at a cost of £492. Compared with this there are 33 assessors, costing £9,064, with a Deputy and second Deputy costing £600 and £500 respectively engaged in the collection of income tax. If members approach the subject with fair and unbiased minds they will realise that the method of collecting revenue by income tax is not an improvement on the land values tax system, nor is it as cheap. The adoption of the latter system, it is said, would make primary production impossible. It must be admitted that the primary industries constitute the backbone of the country. They are suffering, not because of a land values tax, but because of the system that has been in operation for so many years. The present system has permitted farmers to buy land at inflated values and this has placed a very heavy interest bill on them. It really is not interest, but, strictly, is economic rent. The present economic policy has seriously inflated the price of all the requirements needed by those engaged in primary production and it has loaded them with a crushing burden of various forms of taxation. It has been responsible for increased rail and motor transport charges and has added considerably to the expenditure for public services. That system of Government has been responsible for adding a burden of £600,000 a year to South Australian taxpayers in the way of exchange for the transmission

of interest payments overseas. We have had a system of Government that has given local monopolists in Australia the right to get away with about £100,000,000 pounds a year. When any member in this House urges that all these burdens should be lifted from industry in order that people engaged in production might have the opportunity to function on right lines he is told that such a proposal would have the effect of making production impossible. An old proverb says that we can judge a tree by the fruit it bears. Judging by the fruit gathered from the trees in this Parliamentary orchard in the days gone by the sooner we can pluck them out and plant a new variety in order to provide improved conditions the better it will be for all parties concerned. It is no wonder that, with our present system, which allows men who do not work for society to hold land out of use, the State has some 3,000 men working under the farmers' relief scheme. In many cases they are not much better off than farmers working under the five years Russian scheme. When people contend that to change the system of raising revenue in accordance with the lines I have suggested would mean the burdening of production, I say to them, "Can you pay anything at all except from production, and is it possible to have production anywhere except from the land?" Despite the fact that it is concealed to a great extent, all taxation to-day is ultimately paid by people engaged in production from the soil. Consequently we, as the people who claim to represent their interests, should see that instead of having a multiplicity of taxes levied on the producers, the burdens should be lifted from their industry. The House is told that the policy I am advocating will break down, but I contend that the people would be better off with it. Under the present regime it is almost necessary to seek permission from the Government to wink an eye and to pay a tax to do so. The time is ripe to break away from that system and to preach a new evangelism more in keeping with economic principles in order to get out of our troubles. We are told that when a man has an income of £5,000 a year he should be taxed to the extent of £1,000 to help his less unfortunate fellow men. That savors something of the methods of Dick Turpin and Ned Kelly—to take away from the rich to give to the poor. If a man uses his capital to provide for his needs and is capable of producing £5,000 a year honestly, no Government has the right to take

it away from him. The right principle of taxation is that every person should pay in proportion to the benefits he receives. When it is said that a man should pay accordingly to his ability to pay, it must be taken into consideration whether his money was obtained as a result of his own effort or whether it was acquired by exploiting his fellow men. No man has a right to exploit his fellows, or to receive more than he earns. If a man makes £20,000 a year because of his own effort he has a right to retain it and no Government has a right to take a penny of it. Some people consider that because a man of his own industry produces wealth the Government has a right to regard him as a fit subject to mulet with heavy taxation. It is said that if the system I advocate were put into operation the banks and the big financial institutions would be pleased, because they would receive considerable benefit. Analysing the income tax returns for last year I find that 45 banks and financial institutions in South Australia contributed 13.105 per cent. of the total income tax levied. It is necessary to remember that the payment of this income tax was really a deduction from the amount contributed by the people who do business with the banks and other financial institutions. Any of these bodies which renders a service to the society has a perfect right to receive payment in proportion to service rendered. It is said in some quarters that to impose an unimproved land values tax would create a privileged class, which would be free of taxation, but I have yet to learn that we have not already a privileged class in society. Too many people are recipients of privileges under the existing system and I have yet to learn that any member of society could live apart from the land. He could not, like Mahomet's coffin, be suspended in mid air, and thus avoid his contribution of land tax. Any person who is using land in greater or lesser degree would pay under my proposals in exact proportion to the value he is entitled to pay. It has been asserted that, although I have preached this particular doctrine in the House, I never told the people in my district the full facts. I happen to have some copies of a manifesto issued for the various elections I have contested and if any member be a doubting Thomas I shall be pleased to allow him to peruse my files. He will see that my reference to the raising of revenue by the adoption of a tax on the unimproved value of

land has been set up in capital letters in that manifesto. It was done in order to stress the point and so that there would be no misunderstanding. It has been said that no sensible landowner on the West Coast would subscribe to such a system. I claim that the landholders and the other people on the West Coast possess intelligence equal to that of people in other parts of the State. I would go so far as to say that my presence in the House is a manifestation of the intelligence shown by those people as compared with farmers in other parts of the State. I am perfectly satisfied that the farmers in the district I represent understand the position. They know that the present system has brought about an unfortunate state of affairs and they are not prepared to be fleeced as in the old days. We are told that under my land values policy landowners are looked upon as monopolists, whether they are large or small. Before people attempt to criticise my policy it would be well for them to make themselves conversant with it. Members should look at what Henry George said in regard to this matter. He is an economist who can be recommended with confidence to my distinguished friends on the opposite side, because he is the one economist who has never been answered, despite the efforts made by privileged interests in different parts of the world. Henry George said:—

We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all. In this way, the State may become the universal landlord without calling herself so, and without assuming a single new function. In form the ownership of land would remain just as now. No owner of land need be dispossessed, and no restriction need be placed upon the amount of land anyone could hold.

That is a statement from the fountainhead and clearly shows that we do not intend to limit the area a person may own. All we say is "According to all the advantages which you enjoy through having the exclusive possession of portion of the earth's surface for the production of wealth, we ask you to pay into the Treasury in proportion to the benefits you receive." There is only one way of effecting a reform, and that is by getting a majority upon the Treasury Benches.

Mr. Anthony—Why do you not introduce a measure.

Mr. CRAIGIE—Is the honorable member not aware that a private member cannot introduce a finance Bill? The question has been

asked whether we believe in a farmer enjoying the improvements he puts on his land. In a manifesto of the Henry George League which was put before the electors, it was stated:—

We do not suggest taking any of the value that attaches to land by reason of labor and capital used upon it for clearing, cultivating, fencing, or improving it in any way. That is an improved value and is the property of the person responsible for its existence.

That is an emphatic and straight out statement which proved very clearly that we did not propose in our claim to penalise people. Henry George said, "I contend that our social institutions should be conformed to justice, to those natural and eternal principles of right that are so obvious that no more can deny or dispute them. I contend that he who makes should have, that he who saves should enjoy. Instead of weakening and confusing the idea of property, I would surround it with stronger sanctions. Instead of lessening the incentive to the production of wealth, I would make it more powerful by making the reward more certain. Whatever any man has added to the general stock of wealth, or has received of the free will of him who did produce it, let that be his as against all the world—his to use or to give, to do with whatever he may please, so long as such use does not interfere with the equal freedom of others." That is a liberal interpretation. Every member on the opposite side of the House can subscribe to that statement, which is from Henry George's great work on "Social Problems." If you subscribe to those principles you cannot logically support the existing system of taxation which violates every one of the principles which have been enunciated. What I have never been able to understand is members on the other side of the House saying that they do not believe in the principle of rental values on land going to the public Treasury. Yet in the Federal capital territory there is no such thing as freehold title of the land. A man bids for it and pays 5 per cent. to the Government on the upset price. Later a revaluation of the land is made and at the end of the 99 years period all the improvements placed on that land at his own expense automatically becomes the property of the Government. No single taxpayer has ever violated the rights of property. The objections I have dealt with were raised by Mr. Hudd in a speech he made in this House

some time ago. I was not able to deal with it in the last session of Parliament. Here is a statement of which I do not approve:—

I may compare the honorable member for Flinders to a man who stands upon the street corner with a box of pills or medicine which he claims to be a panacea for all the ills of the human frame. As a rule such a person does not believe what he says. He knows what is in the mixture he is selling, and must therefore depend upon the gullibility of those who buy it. I think, however, the honorable member is astute. Sometimes I think he has seen the weakness of this thing as applied to a practical State therefore he somewhat resembles a political quack. He must know that the theory is not nearly so sound as he claims it to be.

I am surprised that Mr. Hudd so far forgot his good manners as to descend into a personal attack. I have disagreed with my friends on the other side, but I give them credit for being sincere in the views they advocate, even if I believe them to be wrong. It was playing very low down indeed for the Commissioner of Public Works to say such a thing, and he should apologise for the unwarrantable insult he put in the pages of "Hansard." He said:—

That is the system which the honorable member states he has explained to farmers on the West Coast. I am much inclined to doubt it, and if he has, I hope he will again do it. Let him print his theory in big type. I am inclined to think if he does so we will not see him again in this House.

I took him at his word and printed in big type that I stood for the abolition of the present system of raising revenue and the collection of the whole of it from land values. The speech made by the Commissioner of Public Works was published in the Streaky Bay "Sentinel" and circulated extensively in the district with a view to damaging me in the recent campaign. Mr. Hudd went to Port Lincoln and attempted to address meetings on behalf of the Liberal and Country League candidates, but evidently he found that when he started to deal with the Single Taxers and myself he was not in the sheltered district of Alexandra, but in a district where people have studied economic laws and would not have the wool pulled over their eyes. Despite his efforts and the reprinting of that article with a view to preventing my return to this House, every time I have contested the Flinders district my vote has increased. In the election in April last I had to fight the forces of the

opposition and the press propoganda, but despite that fact, the people, who were well grounded in the principles of land values taxation, returned me once more with a majority of 560 first preference votes in excess of the number previously polled my me. We are not downhearted. In three years we shall be back again. Mention has been made of constitutional reform. I have sufficient faith in members opposite to think that they will not vote for a five years Parliament, and I know members on this side are opposed to the idea. The electoral system in operation does not make for electoral justice. That was emphasised at the last election, and it is interesting to read the figures showing the number of votes cast on that occasion. In East Torrens 11,225 first preference votes were cast for Labor Party candidates, and they did not secure a seat, whereas the Liberal and Country Party candidates secured only 9,137 votes and took all the seats. In West Torrens 5,086 votes were cast for the Parliamentary Labor Party which gained the two seats, but 12,056 voters were left without representation. In Murray 3,878 votes gained three seats for the Liberal and Country Party, whereas 4,123 votes cast by people of different views did not secure them any representation. Now we come to the blue ribbon of democracy which will particularly interest Mr. Dale. In Adelaide the Lang Labor Party polled 2,852 votes and secured three seats, notwithstanding that 4,697 voters indicated that they did not want that party. Surely it is nearly time the system was altered. Figures for Burra Burra show a somewhat similar position—3,835 votes having secured three seats for the Liberal and Country Party, whereas 5,062 Labor voters were left without representation.

The Hon. G. E. Jenkins—Did you say Labor voters?

Mr. CRAIGIE—I will amend that and say those who claim to be Labor voters; those who masqueraded as Labor representatives, but whose proper appellation should be "Hard labor" representatives.

The SPEAKER—The honorable member is not in order in referring to honorable members in this House "masquerading as Labor representatives."

Mr. CRAIGIE—I referred to those on the hustings, not to anyone in the House. In the district of Victoria the Liberal and Country Party obtained 4,027 votes and took the two

seats, whereas 5,378 voters who held other views are now unrepresented. Any system which disfranchises a large body cannot ensure democratic representation. All sections of the community have to live under the laws which are made and pay the taxation imposed, and justice decrees that those who shoulder the responsibility of citizenship should have some voice in deciding what the laws shall be.

At 6 p.m. the sitting was suspended until 7.30 p.m.

On the House resuming,

Mr. CRAIGIE—Any system that pretends to give representation of the people should not only provide for majority rule, but also ensure that minorities have representation according to their numerical strength. So far no system has been put before the public other than proportional representation, which will produce the desired effect, and the time is opportune for placing such a measure upon the Statute Book. Never in the history of South Australia has there been a bigger outcry about the electoral system than at present, and the feeling in favor of proportional representation is growing, not only in the metropolitan area, but throughout the country districts.

Mr. Hamilton—Do you propose it under the principle of one vote one value?

Mr. CRAIGIE—That is the only correct system of proportional representation. Although some say that those who reside in rural areas should have a preponderance of representation because of their isolation, such a claim should not receive support, because any isolation experienced by them should not be compensated for by an increase in voting strength above that to which they are entitled, but by a proper system of government compensation comes through the payment of a lower economic rent. The policies of Governments occupying the Treasury benches in the past, whether Labor or Liberal, have all followed the same old system of collecting revenue. Penalties have always been imposed upon the industrious section of society, and it is no wonder that, with such policies, we have reached the unfortunate position in which so many of our wealth producers are placed. The policy of the Liberal Party in Australia is altogether different from the Liberal policy in other parts of the world. In Great Britain, for instance, the Liberal Party stands for taxation of land values and for the untaxing of industry. In conclusion I wish to quote an

extract from a book I have recently read dealing with Liberalism, which should be advantageous to members of the Liberal Party of South Australia.

The Hon. R. L. Butler—I do not think anything you may say could be advantageous to us.

Mr. CRAIGIE—Possibly, if members' minds are closed to the truth, but I hope that even members opposite—

The Hon. R. L. Butler—All you can do is watch and pray.

Mr. CRAIGIE—That does not remove the taxation burden. The Premier and his Government have the opportunity of doing something of practical value for the useful members of society, and the duty devolves upon him to remove the taxation burden, because he has that power.

The Hon. R. L. Butler—You have spoken for two and a half hours, but I will listen to you now if you have any suggestions.

Mr. CRAIGIE—If I have spoken for two and a half hours I may claim to have conveyed economic knowledge to those sadly in need of it, and therefore the time has not been wasted. Even though I have spoken for two and a half hours to-day I hope during the term I am privileged to represent the intelligent district of Flinders to have more opportunities to further elucidate problems of which I have only so far touched the fringe. I ask the Treasurer not to be discouraged if he is not able to grasp the beauties of the principles which I have unfolded. In time he will see, perhaps, something at present withheld from him.

The Hon. M. McIntosh—We admit the beauties, but doubt the practicabilities.

Mr. CRAIGIE—There is one way of testing them—by putting them into practice. You have the power to do so, but although you claim to represent the producers you still follow the bad old policy of raising revenue which all preceding Governments have adopted, and which is directly responsible for the difficulties we are in to-day. The quotation I referred to is from a book entitled, "Economic Science and the Common Welfare," written by Professor Harry Gunnison Brown, Professor of Economics at the University of Missouri, a great authority on this question. It is:—

But there are many persons who are, or think they are, of a liberal cast of mind and who are desirous of contributing to the welfare of the

common folk, who nevertheless make no substantial contribution to this end because they have not learned—though some of them may have grown gray in social studies—how to relate cause and effect clearly and without bias, in the field of economics, or to distinguish significant influences from trifles. Of what use to hold conferences and make social surveys and reports on congested conditions in the slums of our great cities, when these conferences, surveys and reports ignore the scarcity of space and the high rents caused by land speculation? Of what use to make extended investigations of the evils of farm or other tenancy and of heavy mortgage indebtedness and foreclosures, when the investigators never by any chance stress the effect of our inept land and taxation policy in producing a high saleable value of land and so making ownership as against tenancy, as difficult for the masses of men as possible. Of what use for students of social affairs of "liberal" persuasion to plume themselves on their support of high taxes on the rich, as such, without distinction as to the sources of their incomes, when such taxes are in place of high taxes on land values, and so would leave the saleable value of land high, land speculation unchecked, and congestion and tenancy little relieved. What shall we say of a so-called liberalism which does not note the effect of taxing the rental value of speculatively-held vacant land, as well as of used land, in discouraging land speculation and so reducing land rent; and which does not understand how both the direct reduction, through taxing it, of the net rent privately received, and its indirect reduction through discouragement of land speculation, operate to lower the saleable value of land? What shall we say of a so-called liberalism which has no least suspicion of how the resultant possible untaxing of capital may, by increasing the net rate of interest on it to

those who save (unless and until increased saving again lowers the rate) further brings down the saleable value of land through causing the capitalization of its reduced rent at a higher interest or discount rate? What shall we say of a professed liberalism which thus utterly fails to comprehend how important is land value taxation from the point of view of the common man and how poor a substitute is any system of taxing all kinds of property or of income, even though such taxation be made progressively higher on the rich? May we not characterise the "liberalism" which favors taxing different kinds of property or of income at the same rate as a liberalism innocent of arithmetic?

Mr. Hamilton—That is lopsided.

Mr. CRAIGIE—It is not. That is a complete indictment of the so-called present Liberalism. It deals with the evil effects of a bad social system and shows that we are suffering to-day because of our violation of economic laws.

The Hon. R. L. Butler—You should not go to America for advice.

Mr. CRAIGIE—I am prepared to go anywhere where the truth is available. I would even be prepared to go to the Premier if I thought it was possible to get good advice from him. I am not particular where the advice comes from provided it is possible to get good material. We have to realise that the old policies have failed miserably to produce the good results expected. It is necessary to replace them by something on different lines, and I know that in the course of a short period members will come to my way of thinking.

