

THE PRINCIPLES OF TAXATION

FROM SPEECHES BY MR E. J. CRAIGIE, M.P., IN THE SOUTH AUSTRALIAN LEGISLATIVE ASSEMBLY, 17TH AND 24TH OCTOBER, 1939

WE ARE not concerned with the amount of income received by an individual, but whether the income has been earned or brought into existence through the appropriation of public benefits. If it has been earned, it belongs to the person who brought it into being. Irrespective of whether it is £5 or £5,000, we have no moral right to appropriate any part of it. If it has been obtained by the appropriation of public benefits, the function of this Parliament is to remove the condition which permits certain individuals to appropriate wealth without earning it. If we do this we will be doing a better job for society than by tinkering with the subject, as is proposed in the taxation proposals. The principle of ability to pay, which guides all suggested income taxation, is a vicious principle which would not be applied to private businesses. Anyone going into a store to purchase commodities would not submit to the storekeeper considering whether his income was £10 or £1,000 a year and charging for the goods in proportion to the amount of his income. If it is not a good principle to apply in regard to private business, it is not good for the State. We should ask people to pay in proportion to the benefit they receive from public expenditure.

It is to be regretted that this additional income tax of 4d. in the pound is to be imposed upon the earnings of the people, because it would have been quite easy for the Government and its supporters to have raised the necessary money without imposing any tax upon the industry of the people. It appears that a sum of £315,000 was necessary to make up the shortage in the revenue this year as compared with what was obtained last year. The easier way to have brought about that result would have been to take one penny in the pound on the economic value of land. That would have given £329,000 without any tax being imposed on labour. I am well aware that whenever one suggests that we should work on a scientific basis for the collection of revenue there are always people who hold up their hands in holy horror and say the poor farmer could not stand up to such a contribution. However, if we investigate the position we find that the poor struggling farmer with 1,500 acres assessed at 30s. an acre would contribute £9 7s. 6d. under my scheme, whereas the King William Street farmer with his one acre would contribute £1,004 3s. 4d.

MR ROBINSON: Would not the latter pass that on to his customers?

MR CRAIGIE: I am surprised at the honourable Member asking such a question. It should be known to every Member that, notwithstanding what political economists say on 101 other points, every political economist who has written on this question has definitely stated that such a tax could not be passed on and must be paid by the person in possession of the land. If the Member would use that sense which is so characteristic of him on other measures he would see that another place, which consistently passes measures for the imposition of taxes on the earnings of labour and taxes income to the fullest possible extent, steadfastly refuses to impose a miserable ½d. in the pound under the system I have suggested because it knows that this tax cannot be passed on and consequently must be paid by the section which it claims specially to represent, and I strongly recommend to him Henry George's *Progress and Poverty*. It would be a wonderful thing if we could convert not only the Member for Gouger but every

Member who graces the Treasury benches, and that they would commence this year on the road which is morally and economically sound. I know Members are anxious to inflict this further punishment of income tax on the people. I enter my protest and stress the fact that I do not think it is right that, when the total national wealth has been reduced, an extra amount should be levied by way of income tax to fleece the people. This is a time when they should receive special consideration at the hands of the Government. I propose to give the original resolutions and the amendments suggested by the Leader of the Opposition the consideration they deserve. I may be able to support one of the amendments suggested by the Leader of the Opposition because it is in the direction of reducing the amount proposed. Anything in the way of reduction will receive my support, and then, when the final vote is taken on the whole of the resolutions, I propose to vote against them and thus once more voice a protest against a most iniquitous system of imposing taxation.

The Succession Duties

When we speak of principles of raising revenue we must realize that there is no fundamental principle behind the collection of revenue by means of succession duties. If we take away from the beneficiaries of an estate a certain proportion without considering whether that portion is due to the labour and capital expended on the part of the deceased or whether it has been created because of the special privileges which permitted the deceased person to appropriate public benefits we do an injustice. We have to distinguish between those two factors. There is such a thing as the right of property, and we, as representatives of the people, should always stand consistently for the rights of property. The only way to accurately measure the value of benefits which the individual derives from an estate is through the appropriation of the rental value of land, because all such benefits are reflected in ground rent. All orthodox political economists agree on that. If we consider that fact, we have the right, not by means of succession duties, but by the appropriation of the rent of land, to take that portion of the estate which rightly belongs to the community for the benefit of the community and then we will leave sacredly to the individual all that belongs to him by right.

MR THOMPSON: The question is what belongs to him by right.

MR CRAIGIE: If we take what belongs to the community measured in ground rent everything else belongs to the individual by right and nothing very complicated is needed to determine that point. I urge that, in future we make a special effort to see that revenue is drawn from the right source. Everyone will agree that if we are to suffer the horrors of war, as we may, property values will be depressed as a consequence. The one thing that will remain constant and probably increase in value is land, and as it is those values which are being defended by our war efforts it is a logical and just proposition to argue that those who hold the land shall contribute to the cost of the war and the defence of the land by a tax on land values, or, in other words, the collection of ground rent. Because I believe that is the only legitimate source from which revenue should be obtained I intend once more to oppose the proposed increase of succession duties.