

The debate that never was

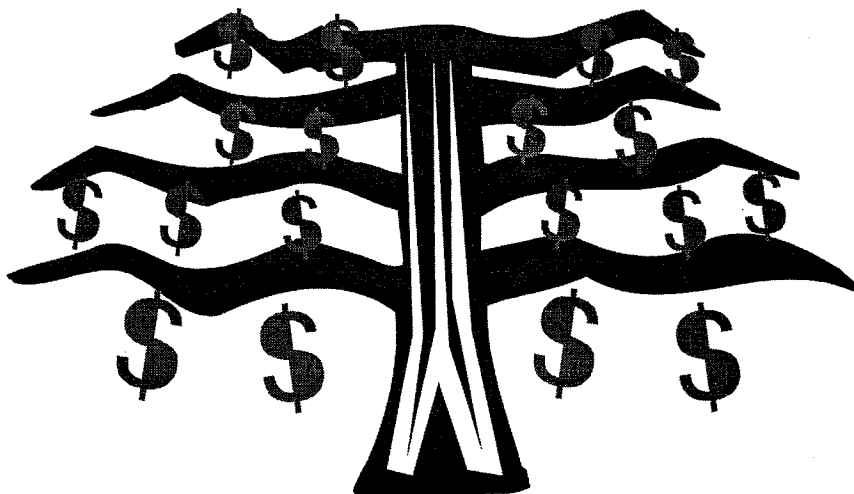
Phil Day
Lawyer and town planner
Queensland

Billed as a "once in a lifetime" opportunity to reform the nation's tax system, the opportunity for real reform – if it ever really existed – has effectively been squandered. By the time of the election, Mr. Howard's "great adventure" had degenerated into a pro- and anti- GST debate and a tawdry auction for votes. In the light of the electoral verdict it seems we are now left with the prospect of some form of goods and services taxation possibly coming into operation about the year 2000.

Genuine tax reform was never really on the agenda. There was no attempt to canvass all the possible options. The Government's multi-million dollar 16 page booklet contained a mish-mash of election budget-type promises but little evidence of a new tax system – or a less complicated one.

Public debate was confined to a pre-determined GST based package and popular speculation focused on the likely winners and losers of a few short-term dollars. Perhaps we shouldn't have been surprised. After all, for the past two years private greed and self-interest have been systematically promoted. The cult of privatization has been accompanied by the deliberate dismantling of the public sector and the downsizing of all the symbols and institutions of a cohesive and compassionate community. Accordingly the lure of lower taxes was more attractive than serious taxation reform. Seemingly nobody recognised that lower taxes could be a fraudulent hoax if they were offset by the separate charges levied by profit motivated private corporations for the services and facilities previously supplied by government.

Most importantly, we witness a tax "debate" during which the most fundamental flaw of all in the present taxation system was never even acknowledged. No attempt was made to address the fact that the prevailing system taxes what people add to the community by way of their labor, enterprise and productive investment. It does not tax what they subtract from the community by consuming its natural resources and energy and by generating waste and pollution. Indeed, the proposed GST, the key element of ostensible reform, compounds this flaw. It specifically



targets the goods and services which the community needs and which people are employed to produce.

By contrast, without arbitrarily distorting the economy, ecological taxes and charges for the use of the community's natural resources could substantially reduce our dependence upon income and corporate taxes. Yet, while this approach has been attracting increasing attention in the UK and Europe, it was accorded no place on our national tax reform agenda.

Valuation and rating mechanisms already exist which would enable gradually increased charges to be levied upon the use of our land resources. Yet the politicians and the media were conspicuously reluctant to widen the scope of the pre-election tax debate.

In the event, the nation's electors were required to vote upon a pre-determined tax package. They were not told that, more so than any other form of revenue raising, land value taxation was, demonstrably, a form of revenue raising which:-

- Does not penalize hard work, skill or enterprise
- Can't be evaded by the cash economy or by trans-national manipulation
- Would raise revenue from people who do not presently contribute
- Involves virtually no time and money-wasting compliance costs
- Protects the finite natural environment from speculative exploitation
- Does not discourage self-reliance on the part of social welfare recipients
- Deters the speculative withholding of land from productive use by home seekers and genuine producers of goods and services
- Deters cyclical boom and bust speculation in land prices
- Automatically captures for the community the windfall profits presently conferred on landowners by town planning and public works decisions
- Automatically compensates any property owners injuriously affected by such decisions
- Permits foreign capital investment without conferring

unfettered ownership of Australian resources; and, not least,

- Philosophically reinforces the reconciliation process by recognising land as a finite natural resource vested in all the inhabitants of the continent

These are very substantial advantages. Any serious review of the taxation system should consider them. To date, however, they have been consistently ignored in what has passed for debate.

So, where to from here? The quest for genuine tax reform ought to go on. Hopefully it will not be stifled by parliamentary stalemate. But maybe tax reform needs to be pursued in the wider context of the quality of life. What, after all, is the end objective of public revenue raising?

Our quality of life and our stature as a nation will be determined more by the standard of the public institutions and facilities available to all, than by the range of private consumer goods affordable by the rich and greedy. A society which recognises this is more likely to appreciate the purpose of revenue raising and focus on the most logical ways of going about it. This means eschewing the prevailing cult of greed and self interest and the ideological steamroller will need to be rolled back to reverse the deepening divisions in Australian society between the comfortable elite who have been the principal beneficiaries of economic rationalism and market economics and the worried and insecure majority who have not.

Interestingly, land taxation was enshrined in the Australian Labor Party's platform for many years until it was omitted in rather curious circumstances in the early 1960s. For a century or more of course the Georgist movement has tried to propagate the equity and logic of land value taxation. Latter day disciples of Henry George however, will need to recognise that mouthing the "single tax" mantra in isolation on the political sidelines will never be enough.

Tax reform needs to be demonstrably relevant to current issues and political and social realities and be demonstrably capable of practical implementation. If it is to be seen as topical and relevant in what is becoming a more

environmentally conscious society, the concept of universal land value taxation (as distinct from arbitrary and discriminatory State land taxes) will need to be widened to embrace the whole spectrum of finite natural resources and combined with ecological taxes on pollution and environmental damage.

There are some incipient indications of latent community empathy with the inherent logic of this view – and its seminal relevance to the reconciliation process. This latent empathy will need to be carefully nurtured.

This is surely the direction of comprehensive taxation reform – if we are really serious about it, but the process and its implementation may necessarily be gradual. Meanwhile it is tempting for those attempting to challenge conventional wisdom to suspect a conspiracy of silence in the media in deference to entrenched vested interests.

Massive fortunes have indeed been made from the exploitation of land. The problem however, is that we have all been passive conspirators. We have all complicitly subscribed to the mindset which has prevailed ever since the Middle Ages when the fateful privatization of land originated. Treating land as if it were a man-made commodity, to be privately traded for profit and withheld from the market for speculation, has become so commercially and culturally institutionalized that any alternative is almost unthinkable.

This long ingrained mindset which accepts the commodification of land is the real obstacle, the hard core of the problem. It needs to be recognised as the hurdle which fiscal and social reformers in western society must ultimately overcome.

Mr. Day is the author of "Land: the elusive quest for social justice, taxation reform and a sustainable planetary environment", Australian Academic Press, 1995.

Blue print for a brave new world

S.O Appleby

It has been reasonably calculated that if work were to be shared evenly across any population, each man and woman would be required to front up for work, for at most, 3 days per week, leaving one day for total leisure and 3 days for tending the vegetable patch.

PROBLEM – How to achieve an equitable share out of the land and giving every one a chance to grow and nurture his/her basic food needs and achieve housing needs.

ANSWER – There are sundry organisations in Australia which concentrate on disseminating the views of that greatest of all Americans, Henry George, whose major work "Progress & Poverty" is a bench mark in the problem of inequity.

In every State there is a Henry George Foundation or League. These organisations will flood you with literature – if you humbly request it. Their basis?

Replacement of an impossible and complex system of taxation with one tax on land which is called "site revenue". It proposes the following question – if site revenue were to be introduced tomorrow, who would be better off? Answer – the vast majority.

But note that what G B Shaw labelled "the have and hold brigade" will fight to the death to hang on to "their" land and let everyone else starve for lack of the opportunity to utilize it productively.

Alongside this has to be the regulation of all banks because these are again, non-productive.

