



The Tax Shift

By Rayna Fahey

Since the publication of *Progress and Poverty*, Georgists have advocated for a tax on land and monopoly rents. Over the past century and a half, politics and economics have evolved significantly in how we manage society. Yet, the core principle remains: every person born on this earth has a right to a share of its bounty.

The story of tax reform in Australia is compelling, and even today, it is regarded as the holy grail of political change. True tax reform occurs perhaps once in a generation – or two. For those interested in this captivating history, I urge you to get a copy of Paul Tilley's latest book, *Mixed Fortunes: A History of Tax Reform in Australia*.

Political historians recognize that while times may change, the arguments often do not. In 2024, the property lobby is recycling arguments that have been used for decades. One such argument is the “old granny” argument: we can't shift to a system of land

taxes because it will force old grannies out of the homes they've lived in for decades.

No one, of course, wants to see people evicted from their homes. And this problem can be easily addressed through thoughtful policy. It certainly isn't a reason to block changes aimed at improving the lives of future generations.

Interestingly, this “old granny” argument has persisted since the debates around abolishing slavery. Of course, the flip side is the reality for “old granny” under the status quo.

Women over 55 are the fastest growing cohort of homeless people in Australia. Older people facing housing insecurity are incredibly vulnerable. From long-term renters forced from their homes to newly divorced older singles, the housing market can be completely inaccessible.

The main economic argument against land taxes is that increasing the tax burden on landowners will stifle investment and harm the economy. It's no surprise to hear this argument echoed again today in opposition to tax reform.

The case for land tax reform

The arguments in favour of land taxes are well-known. Numerous reports, papers, and surveys have demonstrated the economic, social, and environmental benefits of replacing taxes on productivity with taxes on unearned income. The 2010 Henry Review made it clear: "The returns to immobile factors of production constitute an efficient tax base. A rent-based tax would ensure the right levels of exploration and extraction and provide sufficient encouragement for private sector participation."

The moral case for a land tax is rooted in the idea that land, as a natural resource, belongs to everyone. Unlike income or the production of goods and services, which are generated through the efforts of individuals and companies, land value increases due to societal investments, such as infrastructure or public services. A land tax ensures that this unearned wealth benefits the community as a whole, reducing inequality.

The economic solution is readily available; the problem for Australia is a political one.

The growing intergenerational wealth divide is driven by homeownership. It's easy to see who the haves and have-nots are. For young people, the biggest determinant of whether they will own a home is whether their parents own theirs—not education, hard work, or even avocado consumption rates.

Politicians have long downplayed this issue, kicking it down the road. John Howard, at least, was open about his indifference, often saying he never met a constituent who complained about their house going up in value.

Until recently, there has been little political incentive to change the status quo.

Demographic shifts and political opportunities

By 2025, conditions may be ripe for real change at the polling booths.

Consider some demographic shifts :

- 18–34-year-olds (25.7% of eligible voters) have a homeownership rate of less than 50%, and this rate is dropping.
- Baby boomers (32% of eligible voters) are beginning to lose their dominance. Homeownership rates in the younger part of this generation are also declining.
- The total homeownership rate continues to fall from its peak of 70% in the early 2000s.

Housing affordability and the cost of living consistently rank as the top issues on voters' minds. While no one wants to see economic hardship, crises often trigger political action. In the next election, the cost of housing is likely to be a key issue, and those most affected are gaining influence at the ballot box as voter demographics shift.

Another significant development is the rise of the community independents movement. In the current parliament, we've seen a shifting crossbench as independents and Greens gain traction with voters. This crossbench provides a haven for MPs leaving major parties, and these MPs have learned that their power is greater when they collaborate.

If the independents and Greens gain more power in the next election, they could significantly influence the major party with the most votes. This influence would apply whether a majority or minority government is formed.

The prospects for tax reform

So, what are the chances of meaningful tax reform becoming the top election issue?

Unfortunately, not great.

Labor is wary of bringing tax reform to the electorate. The Liberal Party remains focused on shifting income tax brackets. If either party intended to lead a meaningful debate on tax reform, they would have started by now.

Labor will likely focus on building houses, while the Liberals will talk about cutting regulations. If there is any reform to make the table it will likely be constrained to negative gearing and capital gains tax reform.

That leaves the Greens, other minor parties, and independents.

The Greens plan to campaign vigorously on housing issues. Their base is largely young and driven by a strong sense of justice, making housing reform a natural focus for them. The same can be said, to an extent, for the independent “teal” candidates. While not a party in the formal sense, the teals share similar motivations and represent wealthier electorates concerned with social and environmental issues.

At the time of writing, smaller parties such as the Animal Justice Party, Australian Democrats, Fusion Party, Socialist Alliance, Sustainable Australia, and the Victorian Socialists all have specific housing policies. While these parties may not win seats, the unpredictability of Australia’s preferential voting system means we can’t rule it out.

Even if these parties don’t win, their campaigning will push housing and tax reform into the spotlight, putting pressure on the major parties to address these issues in public forums.

The interconnected issues

One issue that continues to drop down the priority list, despite its urgency, is climate change. Although many voters don’t yet see the overlapping drivers of the cost of living and climate change crises, young voters increasingly do. Minor parties competing for progressive votes are also proposing policies that address these intertwined challenges.

Georgist economists understand that replacing taxes on income and production with fair rents on land and monopolies will create greater social and economic equity and provide enormous opportunities for innovation and enterprise. We can see around us today the growing inequity created when we fail to capture the economic rents generated by prosperous societies like Australia.

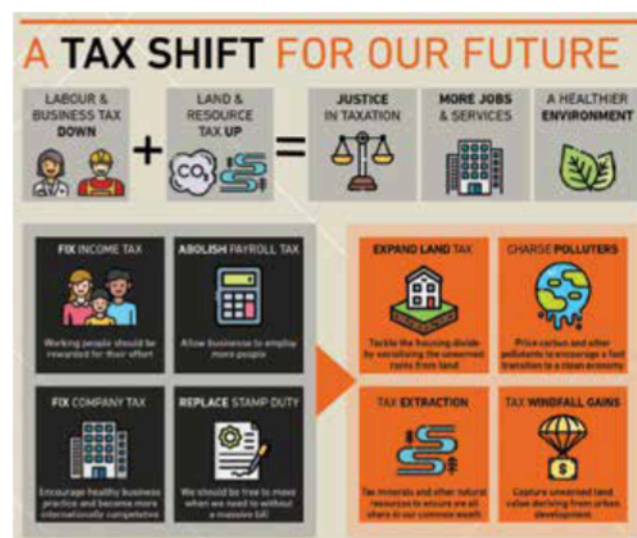
Prosper Australia has been playing a key role in steering the tax reform conversation toward the purpose of taxation beyond simply being a tool for collecting revenue. We have called this campaign the “Tax Shift”. We have released a discussion document which is available on our website.

Our campaign for a Tax Shift has two goals:

- To educate politicians and policymakers about the transformative potential of shifting the debate from merely raising and lowering taxes, which increasingly demands the younger generation bear the burden, to taxing the exploitation and use of our common wealth.
- To inform the public about the connections between revenue policy and the social and environmental challenges we face.

Above all, we aim to help steer the conversation back towards an ethical and moral basis for economic policy design. The neoliberal experiment of the last three decades has failed so catastrophically that even its architects now write books on its failures.

A return to a “fair go” society is something all Australians want to see. The mandate the next government gets from voters at the next federal election will determine the speed that vision will become reality. •



prosper.org.au/taxshift